

Annual Report 1970

PHILADELPHIA ELECTRIC COMPANY

THE ATOM NATURE'S BASIC BUILDING BLOCK





ANNUAL REPORT/1970

Contents

- 2 Directors and Officers
- 3 Letter to Shareholders
- 4 Financial Highlights
- 5 Financial Facts in Brief
- 6 Year-End Financial Summary
- 7 Rate Increases
- 8 Selective Marketing
- 9 Area Development
- 11 Electric Operations
- 11 Air Quality Control
- 15 Nuclear Power
- 15 Gas Operations
- 16 Steam Service
- 17 Engineering and Research
- 18 Record Construction Continues
- 18 Financing Program
- 19 New Service Buildings
- 20 Environmental Improvement
- 21 Power and Recreation
- 21 Atomic Information Program
- 22 Employees
- 22 Organizational Changes
- 24 Financial Statements
- 28 Report of Accountants
- 30 Fiscal Agents
- 31 Financial Statistics
- 32 Operating Statistics
- 33 Map of Service Area

Annual Meeting The annual meeting of the shareholders of the Company will be held on April 14 at eleven a.m. at the office of the Company, Edison Building, Ninth and Sansom Streets, Philadelphia. Shareholders of record at the close of business March 5 are entitled to vote at this meeting. Notice of the meeting, proxy statement, and proxy will be mailed under separate cover. Prompt return of the proxies will be appreciated.

On the Cover Sandra Kuszyk visits the Limerick atomic information center, Philadelphia Electric's mobile trailer equipped with attractive exhibits and displays to promote better public understanding of nuclear energy and the Company's interest in environmental improvement.

Sandra graduated from the Boyertown Area High School in 1970 and is studying to be a medical secretary.

In the interest of economy, the illustrations in this report are printed in black and white rather than in color.

Multimillion-dollar complex of office buildings, shopping centers, high-rise apartments, and motor hotels borders "Golden Mile" of Philadelphia's City Line Avenue near Schuylkill Expressway interchange.

BOARD OF DIRECTORS

- *Gustave G. Amsterdam, *Chairman of the Board*
Bankers Securities Corporation
- *George H. Brown, Jr., *Director, Girard Trust Bank*
- *James L. Everett, *Executive Vice President of the Company*
- *Robert F. Gilkeson, *President and Chief Executive Officer of the Company*
William W. Hagerty, *President, Drexel University*
- *William G. Hamilton, Jr., *President, American Meter Company*
Division of Singer Company
- Robert D. Harrison, *President, John Wanamaker, Philadelphia*
- Paul R. Kaiser, *President, Tasty Baking Company*
- Vincent P. McDevitt, *Senior Vice President of the Company*
- John R. Park, *President, Acme Markets, Inc.*
- *Roy G. Rincliffe, *Chairman of the Executive Committee of the Company*

*Member of Executive Committee.

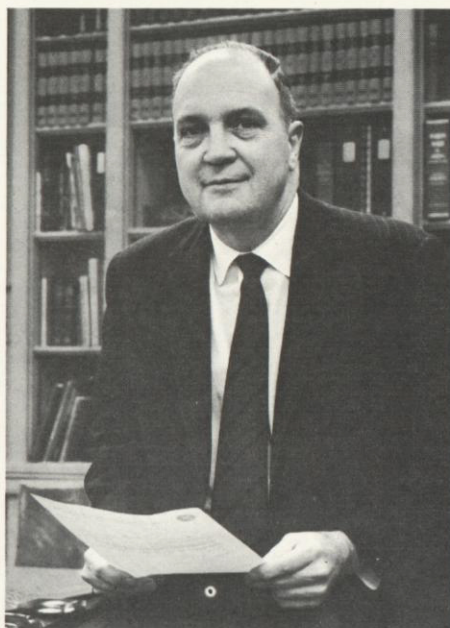
OFFICERS

- Robert F. Gilkeson, *President*
- James L. Everett, *Executive Vice President*
- Vincent P. McDevitt, *Senior Vice President*
- †Allan G. Mitchell, *Senior Vice President*
- Robert P. Liversidge, *Vice President-Electric Operations*
- William H. Jones, *Vice President-Purchasing and Service Operations*
- J. Henry Long, *Vice President-Gas Operations*
- Charles W. Watson, *Vice President-General Administration*
- John M. Warner, *Vice President-Sales*
- Henry T. Bryans, *Vice President-Personnel and Public Relations*
- Vincent S. Boyer, *Vice President-Engineering and Research*
- Edward G. Bauer, Jr., *Vice President and General Counsel*
- ‡John H. Austin, Jr., *Vice President-Finance and Accounting*
- Vincent J. Walsh, *Secretary*
- George W. Miller, *Treasurer*
- William F. Bergan, *Assistant Secretary*
- James D. Lynch, *Assistant Secretary*
- David W. Evans, Jr., *Assistant Treasurer*
- Alfred M. Newill, *Assistant Treasurer*
- Morton W. Rimerman, *Assistant Treasurer*

†Elected Senior Vice President January 25, 1971; formerly
Vice President-Finance and Accounting.

‡Elected January 25, 1971.

GENERAL OFFICE: 1000 CHESTNUT STREET, PHILADELPHIA, PA. 19105
FISCAL AGENTS ARE SHOWN ON PAGE 30



To Our Shareholders:

Revenue in 1970 showed a record increase, reflecting rate increases as well as modest growth in sales. The additional shares issued during the year to help finance our construction program caused a decrease in common stock earnings of 13 cents to \$1.84 per average share.

Two adjustments to our customer bills were permitted by the Pennsylvania Public Utility Commission during 1970 to meet specific cost increases:

- (1) a state tax adjustment added to customer bills, beginning in March, to offset the higher Pennsylvania taxes adopted in late 1969 and early 1970; and

- (2) an air quality fuel charge added to customer bills, beginning in July, to recover the cost of burning premium-priced, low-sulfur oil to reduce air pollution.

While these two adjustments will recover these costs in the future, they did not recover them retroactively.

In 1970, despite these adjustments, earnings were penalized 6 cents a share by higher state taxes and 31 cents a share by higher fuel costs.

In recognition of the urgent need for major rate relief, we filed new tariffs with the Pennsylvania Public Utility Commission on November 19 asking for increases in electric and steam revenues. The \$1-million increase in steam rates became effective on January 18, 1971, and \$43 million of the electric rate increase was permitted to go into effect on February 18, pending Commission hearings on the entire \$100-million increase requested.

The expansion of our facilities is required to meet our obligation to serve the growing needs of our customers. Therefore, it is essential that our construction program be neither deferred nor cancelled, despite continued high money costs. This program will require monumental plant expenditures of close to \$2 billion during the next five years.

MARCH 8, 1971

A handwritten signature in dark ink, appearing to read "R. F. Zilman".

PRESIDENT

FINANCIAL HIGHLIGHTS

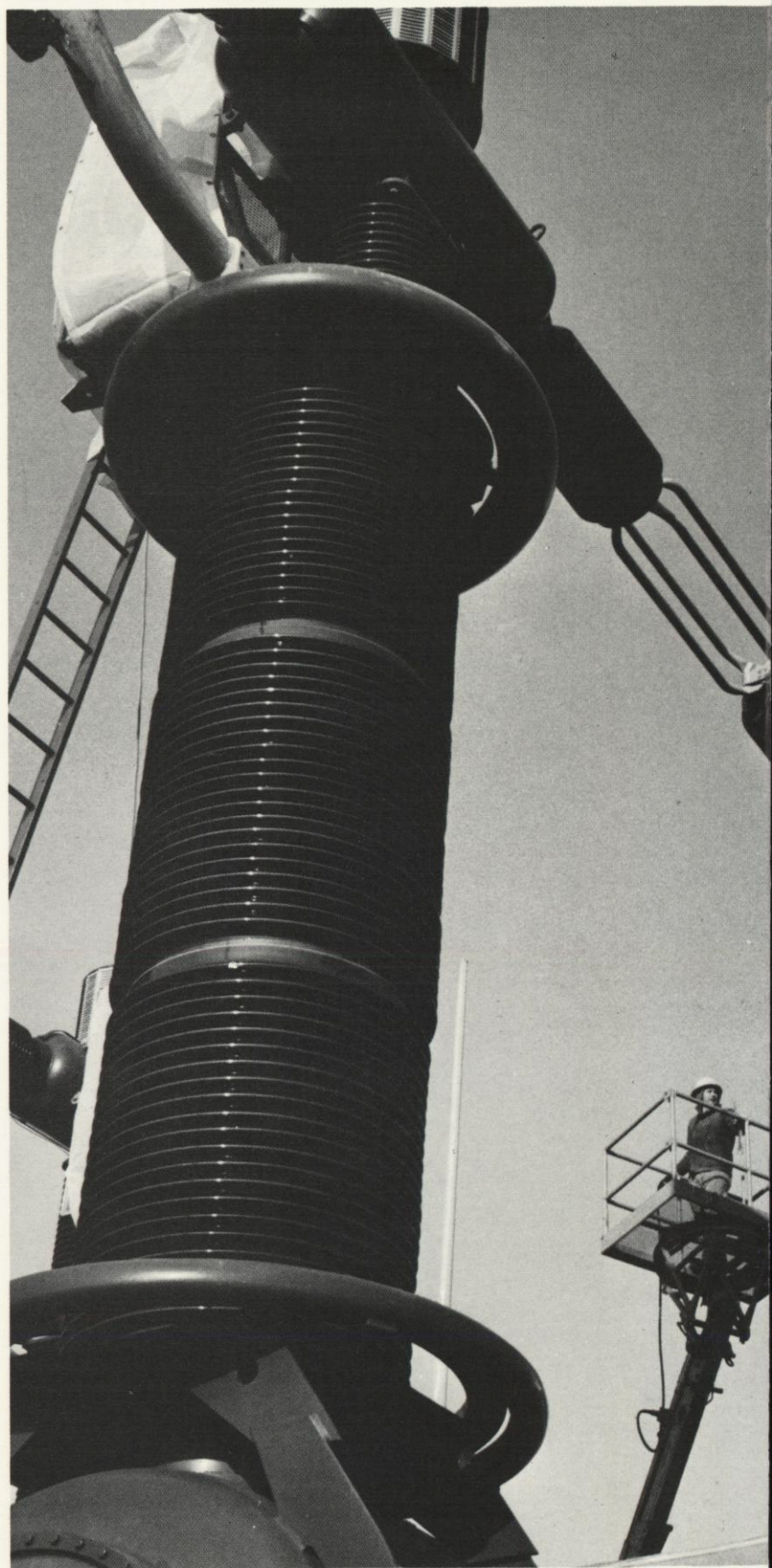
Common stock earnings improved from \$58.4 million to \$59.8 million, although earnings per average share were reduced to \$1.84 from \$1.97 in 1969, when the average number of shares outstanding was 10 percent lower.

Dividends paid on the common stock amounted to \$1.64 a share, 71 percent of which was not taxable to the shareholder as ordinary dividend income for federal income tax purposes.

Operating revenue rose to a new high of \$504 million, a \$64-million increase over 1969. Seventy percent of this increase came from rate increases granted in 1969 and 1970.

Costs were higher for fuel, labor, materials, depreciation, taxes, and capital funds.

Construction expenditures totaling \$352 million were financed by the most ambitious financing program in the Company's history, including \$207 million realized from the sale of bonds, \$65 million from preferred stock, and \$60 million from common stock.

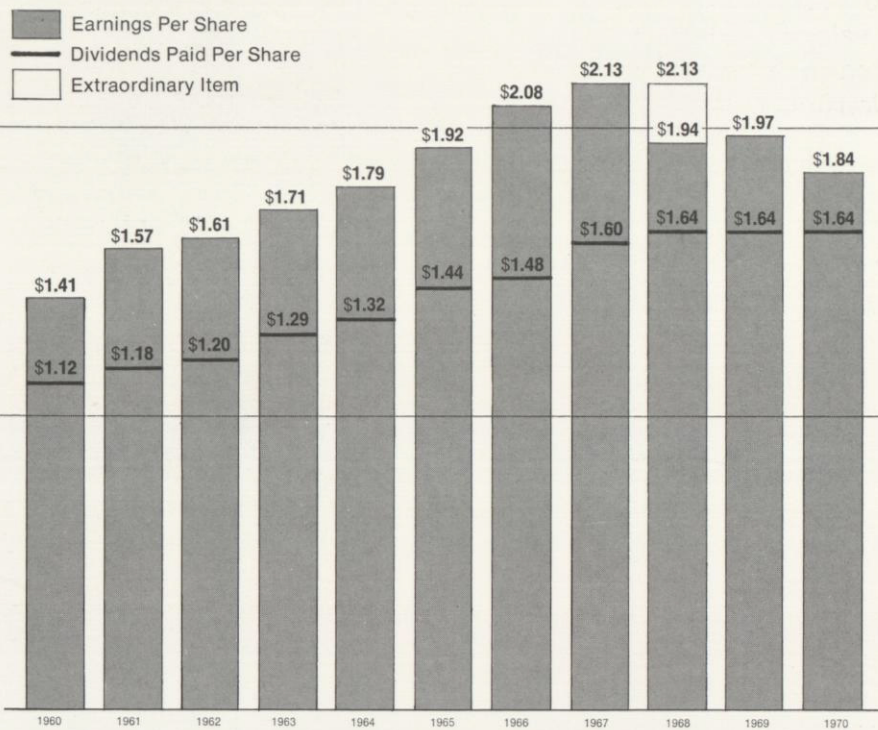


New circuit breaker is readied for service at Peach Bottom substation. Two-billion-dollar, system-wide construction program will double Philadelphia Electric's generating capacity in the next seven years.

Financial Facts in Brief

	1970	1969	Percent Increase or (Decrease)
Operating Revenue	\$504,371,496	\$440,493,562	14.5
Operating Expenses including Maintenance, Depreciation, and Taxes	396,726,731	339,179,611	17.0
Operating Income	107,644,765	101,313,951	6.2
Other Income	18,737,722	7,963,112	135.3
Income Before Interest Charges	126,382,487	109,277,063	15.7
Interest Charges	58,006,678	44,980,181	29.0
Net Income	68,375,809	64,296,882	6.3
Dividends on Preferred Stock	8,611,698	5,930,795	45.2
Earnings Available for Common Stock	59,764,111	58,366,087	2.4
Dividends on Common Stock	53,682,921	48,802,656	10.0
Retained Earnings	\$ 6,081,190	\$ 9,563,431	(36.4)
Shares of Common Stock—Average	32,556,315	29,644,373	9.8
Earnings Per Average Share	\$1.84	\$1.97	(6.6)
Dividends Paid Per Share	\$1.64	\$1.64	—

Earnings Per Share Drop in 1970



YEAR-END FINANCIAL SUMMARY

Higher Sales Bring Record Revenue

All three services—electric, gas, and steam—posted gains in energy sales during 1970, although economic conditions and the limited availability of natural gas slowed the growth rates of electric and gas sales.

Electric	22.8 billion kilowatt-hours	up 4.3%
Gas	67.9 billion cubic feet	up 0.4%
Steam	8.2 billion pounds	up 3.4%

Revenue from all operations passed the half-billion-dollar level for the first time, up \$64 million from 1969, of which \$45 million came from rate increases and adjustments, and the balance reflected growth.

Electric	\$412,000,000	up 16%
Gas	81,000,000	up 8%
Steam	11,000,000	up 9%
	<u>\$504,000,000</u>	<u>up 15%</u>

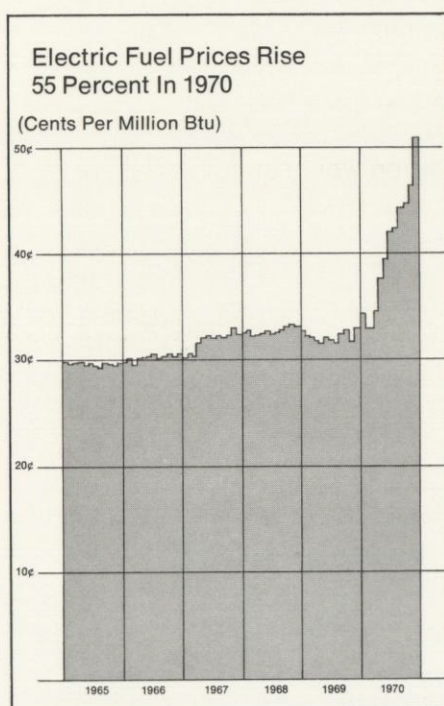
Expenses Reflect Higher Costs

Total operating expenses rose 17 percent, compared with the 15-percent gain in revenue.

Fuel	\$137,000,000	up 25%
Labor	103,000,000	up 10%
Other materials, supplies and services	43,000,000	up 32%
Total operation and maintenance	\$283,000,000	up 20%
Depreciation	54,000,000	up 9%
Taxes	60,000,000	up 11%
Total operating expenses	<u>\$397,000,000</u>	<u>up 17%</u>

Fuel costs climbed \$27 million during 1970. This item accounts for almost half of operation and maintenance expenses and absorbs over 25 percent of all revenues. Electric fuel prices soared during 1970 and were 55 percent higher at year-end, as shown in the accompanying chart. Since its inception in July,

the air quality fuel charge recovered about \$4 million of the \$11-million increased cost of oil in 1970.



The rise in labor costs reflected higher wage rates and the improved employee benefits granted to offset higher living costs and to maintain our competitive position in the labor market.

The 9-percent increase in the provision for depreciation was the direct result of additions to plant in service.

Total taxes of \$60 million were \$6 million higher than in 1969. This change in total taxes does not emphasize the marked increase in state and local taxes. As shown in the accompanying chart, state and local taxes (other than income taxes) more than doubled during 1970.

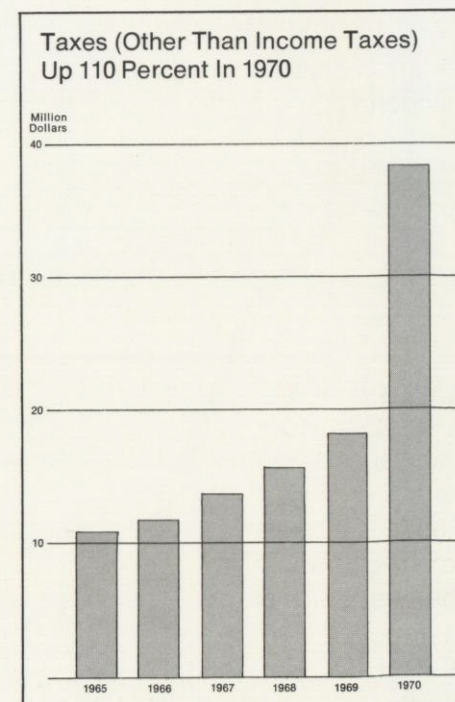
In March, the Pennsylvania gross receipts tax on electric and gas revenues was increased from 2 percent to 4½ percent and a new 3-percent state tax on real estate was imposed, both retroactive to January 1. However, taxable income was depressed by the many cost increases during the year, resulting in lower income taxes which served to reduce the impact of the increased state taxes.

Federal, state, and local taxes amounted to \$1.84 per average share in 1970, equivalent to earnings per share.

Federal, state, and local taxes were equivalent to \$1.84 per average share in 1970, the same amount as common stock earnings per share.

Interest Charges and Preferred Dividends Continue Upward

Interest charges and preferred dividends increased 31 percent, reflecting the high cost of new capital, as well as the larger amount of new financing required by our construction program.



A \$65-million issue of 8.75% Preferred Stock, sold in July, increased total preferred dividend charges to \$8.6 million.

The interest on funds used during construction, which is capitalized, partially offset total interest charges. This item, now termed "allowance for funds used during construction" in the financial statements, was higher in 1970 because of the larger amount of construction work in progress. In addition, the rate for charging this allowance was increased to reflect more realistically the higher cost of obtaining construction funds.

Common Stock Earnings and Dividends

Earnings for common stock were \$60 million, only \$1 million higher than in 1969. However, earnings per share declined to \$1.84 from \$1.97 in 1969 because of the larger number of shares outstanding as a result of the additional shares sold in October 1969 and in October 1970. Dividends paid in 1970 amounted to \$1.64 a share, equivalent to an 89-percent payout of the year's earnings.

As in 1969, a portion of the dividends paid on the common stock in 1970 represented a return of capital to the shareholders for federal income tax purposes and was not taxable as ordinary income. The nontaxable portion of the dividend is estimated to be 71 percent.

RATE INCREASES APPROVED AND PENDING

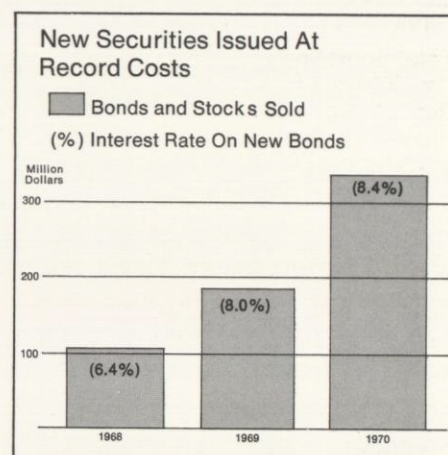
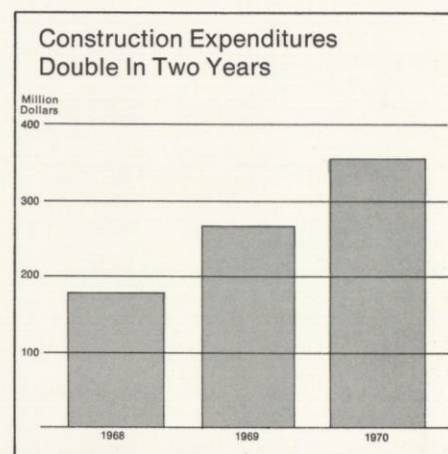
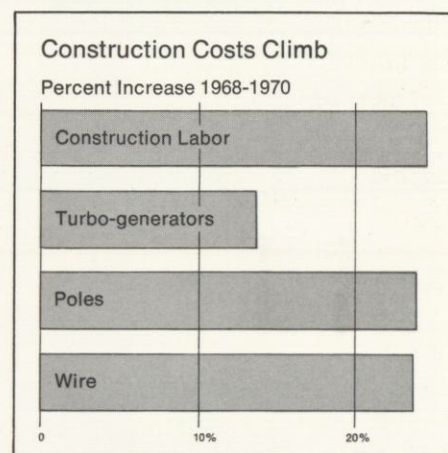
Two rate adjustments were approved by the Pennsylvania Public Utility Commission in 1970 to offset higher state taxes and the higher cost of burning low-sulfur oil in compliance with newly enacted air pollution codes. In addition, because of continuing

inflation and higher costs of doing business, the Company made application to the Commission on November 19 for rate increases for all classes of electric service, amounting to \$100 million, and for steam service in Philadelphia, amounting to \$1 million. Of these amounts, about \$52 million would go for increased federal, state, and local taxes, \$24 million for additional expenses, and \$25 million for higher interest charges, preferred dividend charges, and improved earnings for the common stock.

The Commission allowed the new steam rates to become effective on January 18, 1971, but suspended the electric rate increase for up to six months to hold formal hearings. Subsequently, the suspension was lifted by the Commission for approximately \$43 million of the electric rate increase for service rendered on or after February 18, 1971. The Commission will hold formal hearings on the entire increase requested, and may order refunds of any sums collected over and above the rates ultimately found to be reasonable.

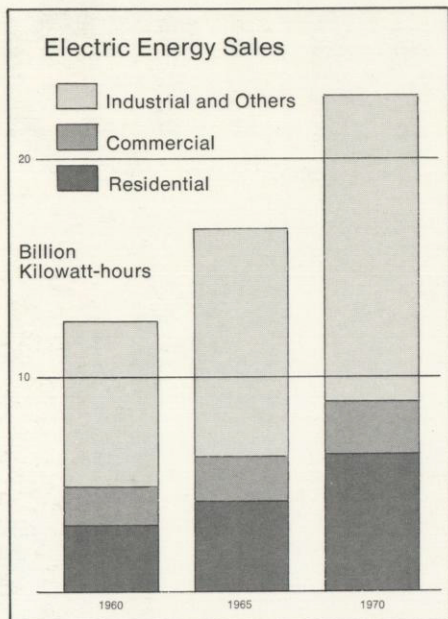
The accompanying charts dramatically illustrate the adverse impact of spiraling inflation on the Company's construction program and financing needs. Since 1968, when the Company applied for its last general rate increase, the cost increases in the major elements of our construction program have ranged from 13 to 24 percent. This has increased construction expenditures and the amount of funds which had to be raised in the capital markets at a time when money costs also were at record levels. The proposed rate

increase is designed to provide the income required to support this huge capital expansion program.



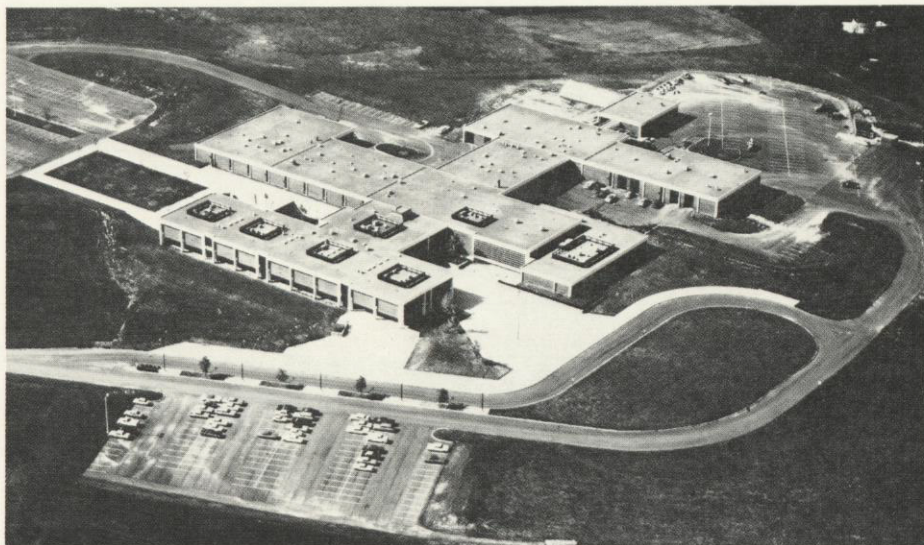
SELECTIVE MARKETING

Our peak requirement for capacity continues to occur in summer because of spiraling demand for electric air conditioning. Moreover, the gap between our summer and winter peak loads is widening.



For this reason, electric heating provides profitable and desirable business in balancing the summer air conditioning loads. Similarly, the development of gas and steam air conditioning is desirable in balancing the winter peak heating loads in these branches of our service. Off-peak night lighting also helps to improve the utilization of installed capacity and is receiving special promotion with emphasis on its contribution to safety, beautification, and recreation for our customers. Gas heating continues to be a profitable and desirable application.

Residential Sales Despite a slow-down in residential construction, we received commitments in 1970 for more than 6000 electrically heated apartment units, 600 of which are presently under con-



New all-electric vocational-technical school in Middle Bucks County.

struction in central Philadelphia. Over 60 percent of all new residential units being built in our territory will use Philadelphia Electric Company gas or electricity for heating.

Conversions to electric or gas heating from other fuels showed good progress in 1970 with conversions to electric heating exceeding the 1000-mark for the first time. More than 2000



Of the 1076 new electrically heated apartments added in 1970 to the Company's lines, 100 units were built by the Korman Corporation at Gatewood in Neshaminy Valley.



Recently opened all-electric shopping mall in Delaware County.

customers converted to gas, a 22-percent increase over 1969.

Commercial and Industrial Sales

Electric space heating has gained wide acceptance in the commercial and industrial markets. Some 3,880,000 square feet of new commercial and industrial construction were committed to



Old Forge Crossing Apartments at King of Prussia. This 488-unit garden apartment development will use gas for air conditioning and heating.

electric space heating in 1970.

The Fort Washington Industrial Park now has three all-electric buildings and electric heat has been designated for two office buildings, each with floor space of 60,000 square feet, presently being erected at another site by the Park's owners.

In addition, The Prudential Insurance Company of America is building an all-electric regional headquarters with two 6000-kilowatt, 13,000-volt electrode boilers, the largest installation of its kind in the nation.

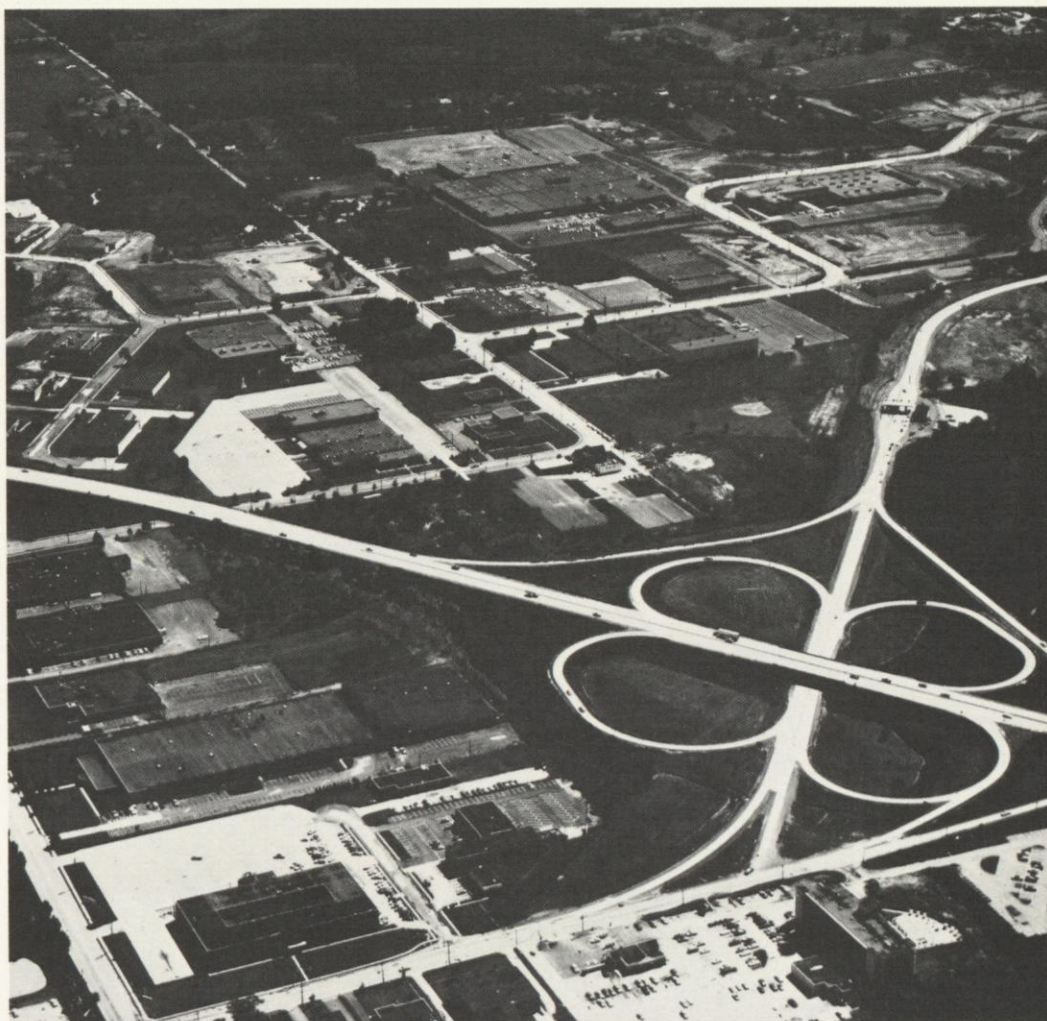
Following long study and negotiation, the Borough of Lansdale has decided to close its municipal power plant and purchase all of its electrical energy requirements from Philadelphia Electric. This sale of energy will produce additional Company revenue of approximately \$1 million a year.

New gas business committed in 1970 will yield \$5 million in annual revenue, including more than 8 million square feet of new commercial and industrial space to be heated with gas.

AREA DEVELOPMENT

Confidence in the future of Southeast Pennsylvania was evidenced by the 61 new plants opened in the area during 1970 and by the 86 plant relocations and expansions aided by our area development department.

The desirability of Southeast Pennsylvania as a corporate headquarters and regional business location continues to grow. Sperry Rand is establishing a Remington Rand world headquarters at Blue Bell, where Univac, another Sperry Rand company, has been located since 1966. Success experienced with the King of Prussia Industrial Park, and the Expressway 95 Industrial Center in Bucks County, has encouraged Cabot, Cabot and Forbes, one of the nation's top industrial park developers, to acquire an additional 425 acres in Bucks County for a third industrial center.



Fort Washington Industrial Park is an important industrial and commercial center in Southeast Pennsylvania.

GROWTH IN SOUTHEAST PENNSYLVANIA

Among the companies establishing new plants, branch plants, or additions to present facilities in our service area in 1970 were:

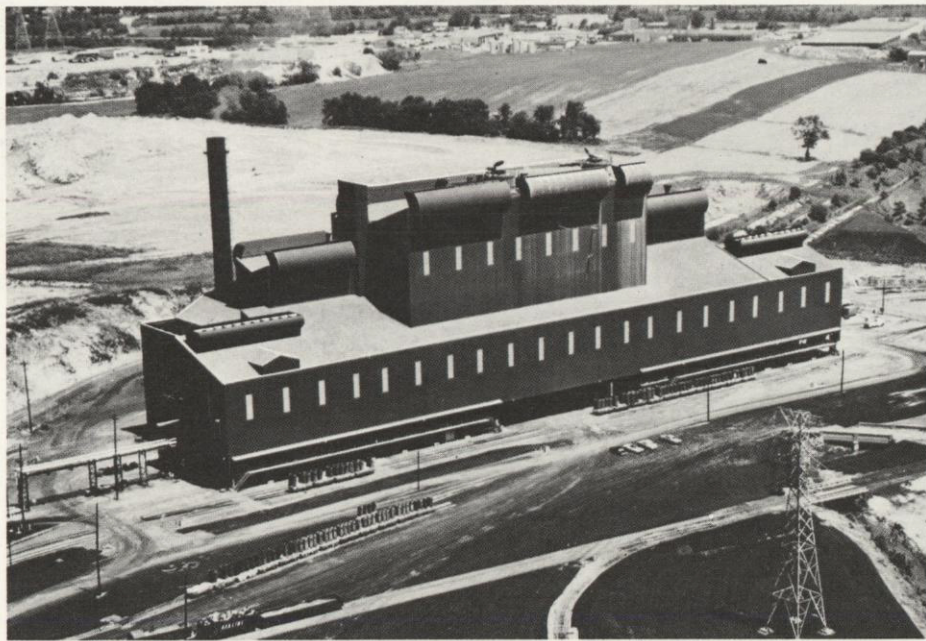
Allied Steel Products Corp.
American Hospital
Supply Corporation
American Pamcor, Inc.
Amsco Industries, Inc.
Betz Laboratories, Inc.
Bleeker Street Apparel Corp.
The Bunting Company, Inc.
Colt Industries Inc.
Continental Can Company, Inc.
Eaton Yale & Towne Inc.
FMC Corporation
General Electric Company
Gindy Manufacturing Corporation
Goodyear Tire and Rubber Co.
Gulf & Western Research
I-T-E Imperial Corp.
Lee Tire & Rubber Company
Matthey Bishop, Inc.

Oscar Mayer & Co.
The Mead Corporation
Moore Products Co.
National Biscuit Company
D. H. Overmyer Co., Inc.
J. C. Penney Company, Inc.
Philco-Ford Corporation
Precision Tube Company, Inc.
Raybestos-Manhattan, Inc.
Richardson-Merrell Inc.
Rohm & Haas Company
Scott Paper Company
Sears, Roebuck and Co.
Mrs. Smith's Pie Company
Sonex, Inc.
Sperry Rand Corporation
Uniform Tubes, Inc.
U.S. Plywood-Champion
Papers, Inc.

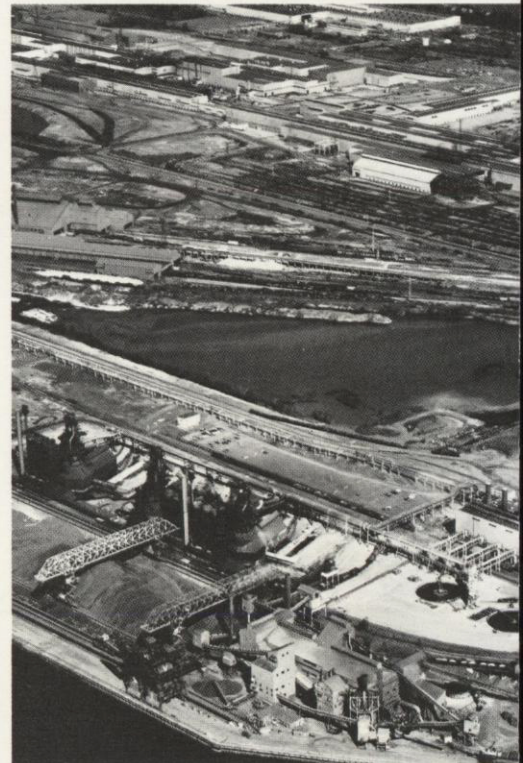
Steelmaking plays a prominent role in the industrial growth of Southeast Pennsylvania.



Lukens Steel Company at Coatesville



Alan Wood Steel Company at Conshohocken



U.S. Steel's Fairless Works at Morrisville

ELECTRIC OPERATIONS

Power output in 1970 totaled 24.4 billion kilowatt-hours, up 4 percent from 1969. A new hourly peak demand of 4,712,000 kilowatts was recorded on September 25 during an extended period of unseasonably hot weather—the most extreme experienced in late September in 75 years.

The new peak was 3 percent above the previous high established in 1969 and came at a time when a number of generators on the Pennsylvania-New Jersey-Maryland Interconnection were out of service for routine autumn maintenance. To maintain supply to customers, it was necessary to initiate a series of pre-arranged procedures, including a 5-percent voltage reduction, an appeal to customers to conserve electricity, and a limited curtailment which caused some service interruptions of short duration.

Without these steps to reduce load, the peak demand would have been an estimated 4,954,000 kilowatts, or 8 percent above the 1969 high.

New Generation During 1970, we installed 12 new combustion turbines with a total capacity of 287,000 kilowatts. Also, the commercial operation on May 21 of the No. 1 unit of the jointly owned Conemaugh mine-mouth generating station, near Johnstown, Pa., added another 172,300 kilowatts to our system capacity, which totaled 5,563,600 kilowatts at the end of the year.

By the summer of 1971, installation of 646,300 kilowatts of combustion turbines and the scheduled completion of the No. 2 unit at Conemaugh, with our share of 170,000 kilowatts, will increase our system capacity

by an additional 816,300 kilowatts.

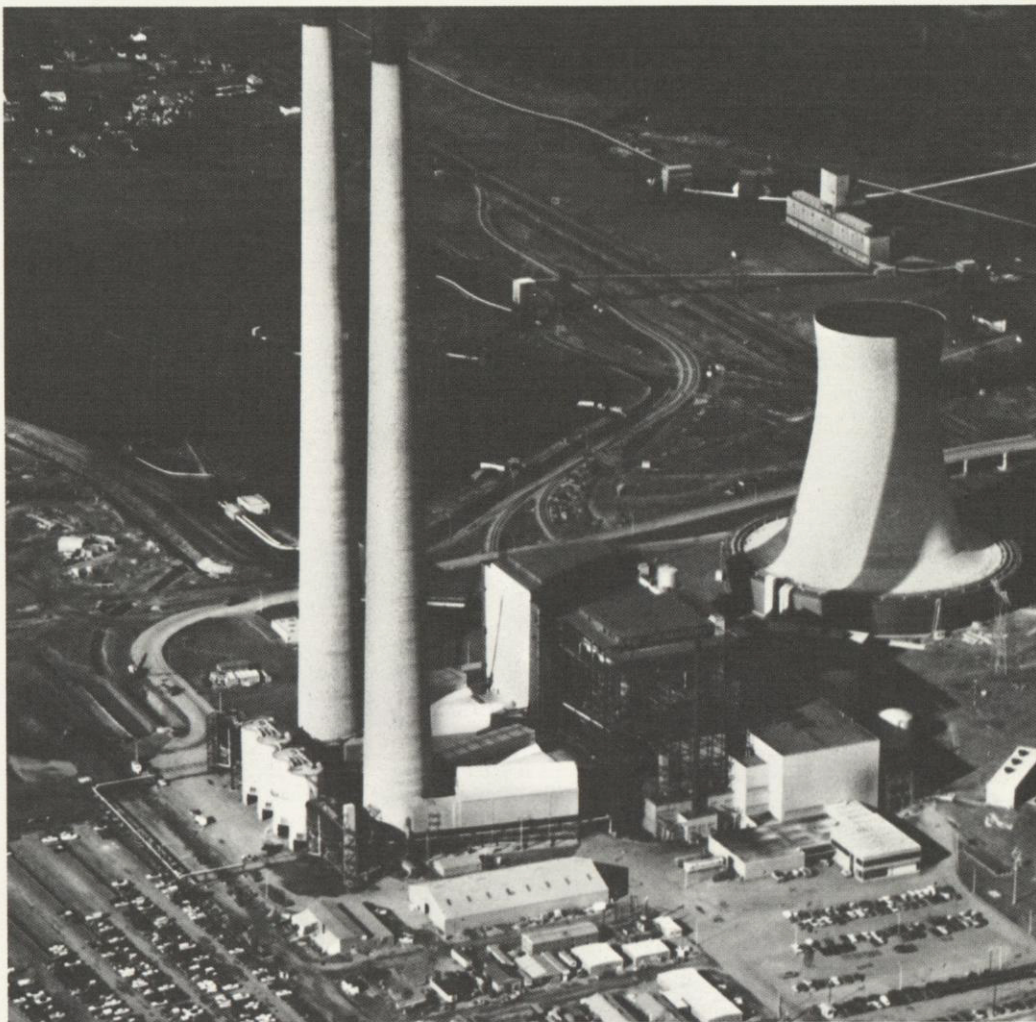
Philadelphia Electric has contracted for a period of two years to purchase half of the output of a 400,000-kilowatt, oil-fired generating unit to be installed in 1973 by Delmarva Power & Light Company.

Preliminary engineering is well under way for two similar 400,000-kilowatt units to be installed at our Eddystone station, with initial operation of the first unit planned for June 1974, the second for June 1975. These units will burn low-sulfur residual or crude oil and will meet all stringent air quality requirements. Provision is

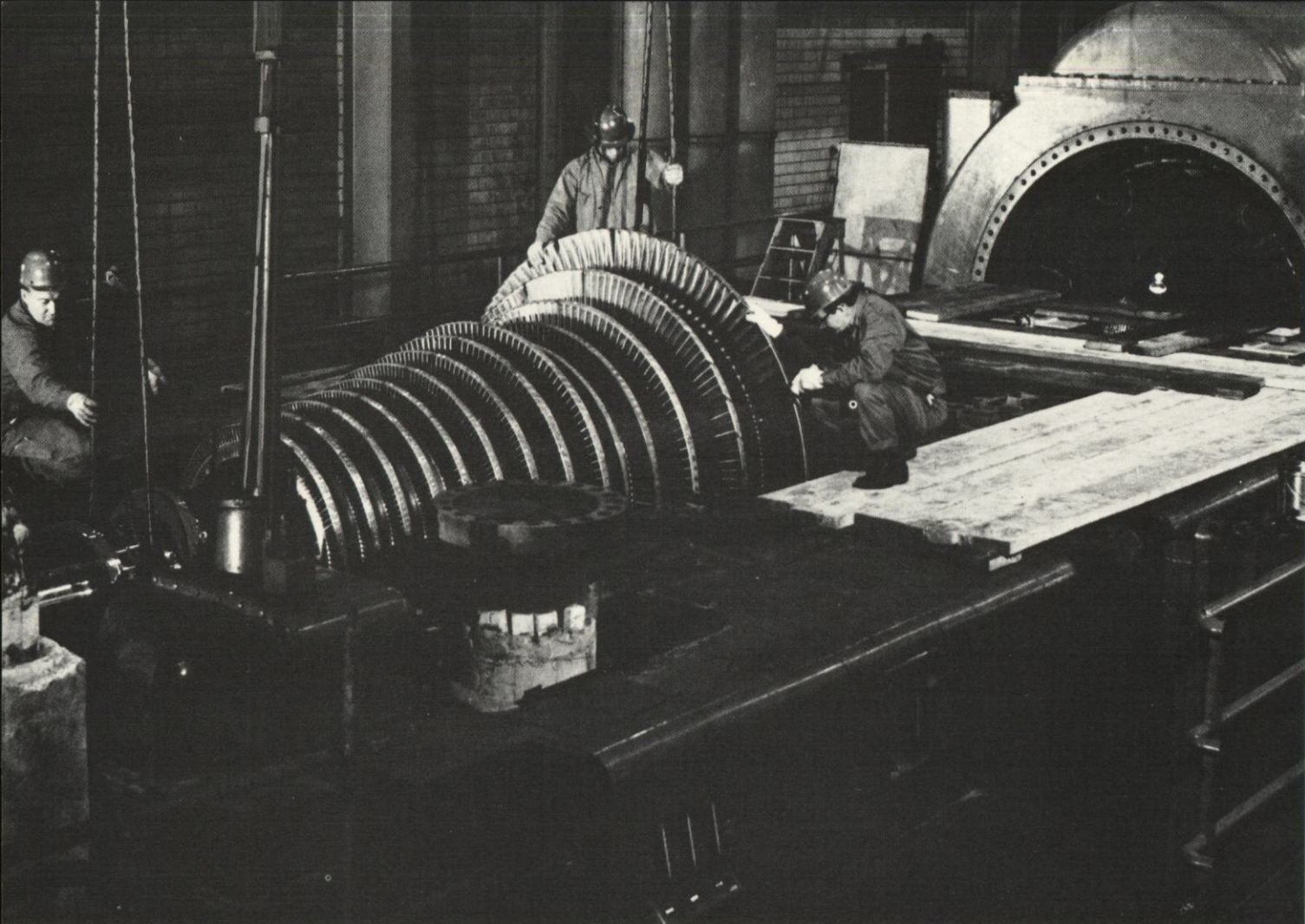
being made in their design for a sulfur dioxide removal system.

AIR QUALITY CONTROL

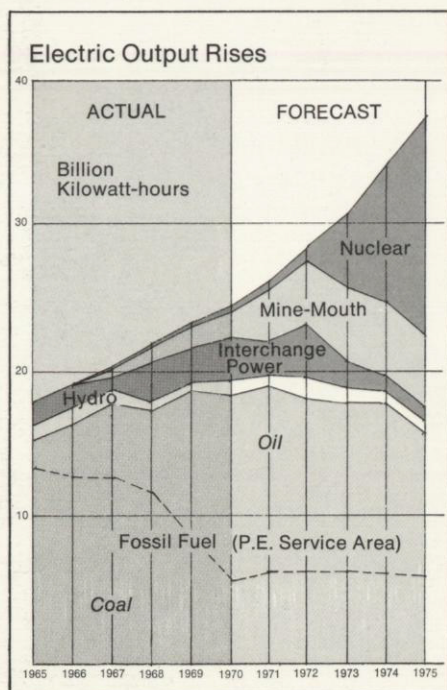
The contribution made by each type of power generation to total electric output in the past five years, and the sources of supply in the next five years, are shown in the chart of electric output on the next page. Fossil fuel generation within our service area will drop from nearly 75 percent of total generation in 1970 to an estimated 42 percent of total generation in 1975. On the other hand, pollution-free nuclear generation will expand materially



Philadelphia Electric has a one-fifth interest in the Conemaugh mine-mouth generating station near Johnstown, Pa.



New rotor is installed in No. 7 steam turbine at Delaware station.



during the next five years, so that by 1975 it will account for more than one-third of our total electric output.

Low-Sulfur Oil The expanding use of low-sulfur oil in place of coal in our generating stations continues to reduce emissions of particulates and sulfur dioxide. These emissions will be further reduced when Delaware and Richmond stations are converted in 1971 to burn crude oil, a fuel with a very low sulfur and ash content.

In compliance with the Philadelphia air management code, all oil burned in our city plants since May 1, 1970, has contained less than 1 percent sulfur. To the extent available, oil with less than 1 percent sulfur content, as well as gas, has been used in plants outside the city.

Flue Gas Studies We are continuing to investigate all known systems under development for reducing flue gas pollutants. However, a study released by the National Academy of Engineering in 1970 concluded that such systems will not be commercially practical for three to ten years.

As part of a recent agreement with seven other utilities and a major coal supplier, we are committed to play a major role in the development and pilot plant operation at our Cromby station of a new and promising method of removing sulfur oxides from coal-fired boiler flue gas. If the project proves successful, it will become feasible to utilize large reserves of high-sulfur coal for electric generation with minimal air pollution.



Veterans Stadium nears completion in South Philadelphia for opening in 1971. The new stadium has a seating capacity of more than 47,000 for baseball and 65,000 for football. Immediately beyond the new stadium is the 15,000-seat Spectrum, home of the Philadelphia 76ers, national basketball team,

and the Philadelphia Flyers, national hockey team. John F. Kennedy Stadium, in the background, is capable of seating 102,000 spectators attending football games and other special events. The City's stadia—three in a row—constitute one of the most complete sports complexes in the nation.



NUCLEAR POWER

The helium-cooled No. 1 unit at our Peach Bottom atomic power station on the Susquehanna River has operated very dependably from the start of commercial operation in 1967 and produced approximately 400 million kilowatt-hours of electricity before being shut down for refueling in 1970. The second nuclear core was placed in operation on July 14 and remained essentially at full power during the remainder of the year.

Peach Bottom Units 2 and 3

Construction of two additional nuclear units at Peach Bottom began in February 1967. By the end of 1970, unit No. 2 was 75 percent complete and unit No. 3 was about one-third complete. Installation of the No. 2 turbine-generator is in progress and delivery of the unit's 625-ton reactor pressure vessel to the site was completed in December. The primary containment vessel for the No. 3 reactor has been successfully pressure-tested.

Each of the new Peach Bottom units will have a boiling water reactor and turbine-generator rated at 1,065,000 kilowatts. Delays in delivery of components and in construction activities have caused the rescheduling of service dates. Unit No. 2 is now scheduled for commercial operation late in 1972 and unit No. 3 in the fall of 1973.

We will have an approximate 42-percent interest in the plant's ownership and output and will be solely responsible for its operation. Public Service Electric and Gas Company of New Jersey, Atlantic City Electric Company, and Delmarva Power & Light

Company will share the remaining ownership and output. Application for an operating license was made to the Atomic Energy Commission on August 31, 1970.

Salem Nuclear Station We hold a similar ownership interest in the Salem nuclear generating station under construction by the same group of utilities on the Delaware River near Salem, New Jersey. This plant will house two pressurized water reactors, each supplying steam to a turbine-generator rated at approximately 1,100,000 kilowatts. Public Service of New Jersey will operate the station, with commercial operation of the first unit scheduled for late in 1973, the second the following year.

Limerick Nuclear Station On February 26, 1970, we applied for an Atomic Energy Commission construction permit to build a nuclear power plant on our system near Pottstown, Pa., of which Philadelphia Electric will be sole owner and operator. Preliminary work permitted by the AEC at the site on the east bank of the Schuylkill River in Limerick Township is under way.

The station will have two boiling water reactors, essentially duplicates of the No. 2 and No. 3 units at Peach Bottom. The first 1,055,000-kilowatt unit is scheduled for commercial service in 1975, the second in 1977.

Nuclear Fuel Purchases

A contract for the purchase of 4.8 million pounds of uranium concentrates was negotiated in August 1970 as part of our long-

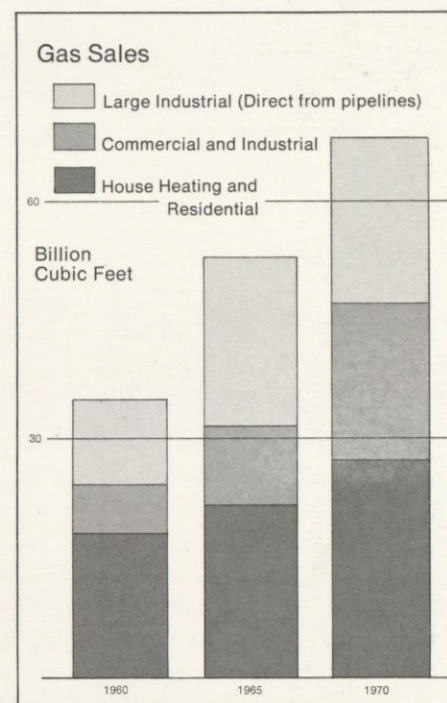
range nuclear fuel procurement program. This will provide part of the fuel supply for the nuclear units at Peach Bottom and Limerick. Delivery of the concentrates will start in 1972 and continue through 1981.

GAS OPERATIONS

With supplies of gas severely limited due to national shortages, gas sendout was 69.3 billion cubic feet in 1970, a slight decrease from 1969. A record daily sendout on January 9, 1970, of 377.9 million cubic feet was 14 percent above the previous daily record set the year before. This was exceeded by a new daily high of 396.4 million cubic feet on January 27, 1971.

Liquefied Natural Gas Plant

Significant progress has been made with the construction of the new liquefied natural gas facility at our West Conshohocken gas plant. Field work has started on the liquefaction and vaporization equipment.



Construction moves ahead on nuclear power units No. 2 and No. 3 at Peach Bottom atomic power station. Original plant, housing unit No. 1, is at center left.



Interior view of outer steel shell of new liquefied natural gas storage tank at West Conshohocken gas plant.

The outer steel shell for the storage tank was completed in November and work is under way on the inner nickel-steel vessel which will contain the liquefied gas at a temperature of 260 degrees Fahrenheit below zero. At this extremely low temperature, liquefied natural gas occupies less than 1/600 of the space required to store natural gas at atmospheric temperature and pressure. Therefore, storing the liquid is more economical than storing an equivalent amount of gas.

Operating Efficiencies After completion of construction and testing in 1972, the new LNG plant will supply our peak load requirements for several years to come and will eventually permit retirement of all gas production equipment, conventional gas holders, and propane facilities presently on our system. Inexpensive off-peak gas will be liquefied and stored during the nonheating season, then vaporized for use

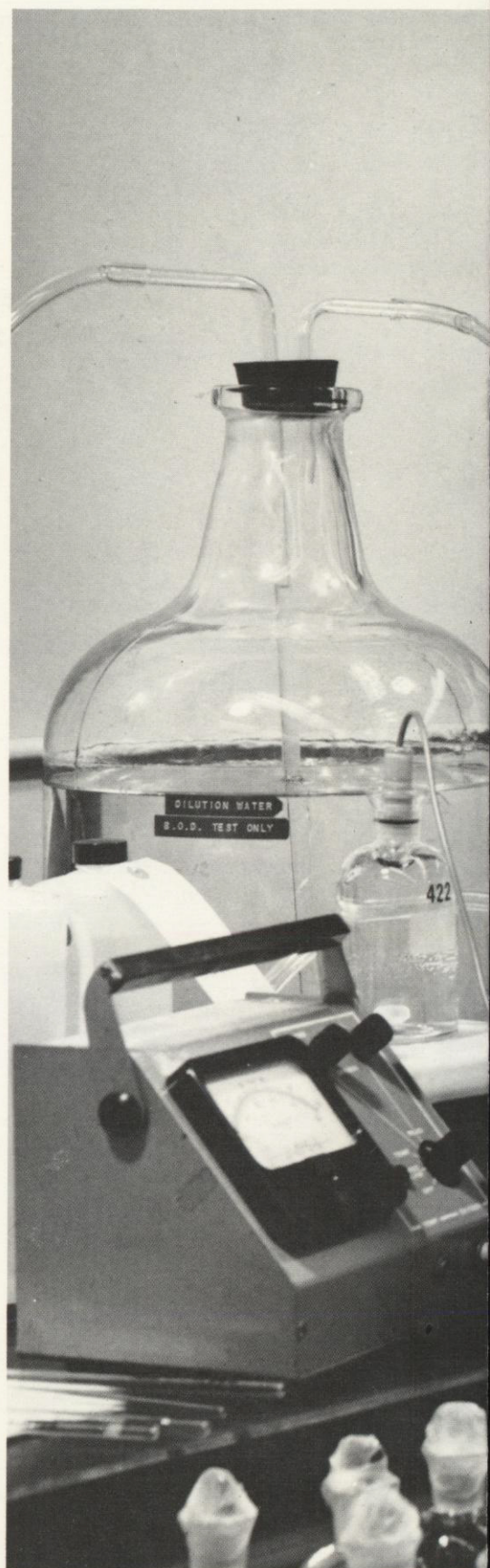
during periods of high winter demand. By replacing purchases of less available and costly winter pipeline storage gas, our peak winter operations will be accomplished with considerable savings and greater reliability.

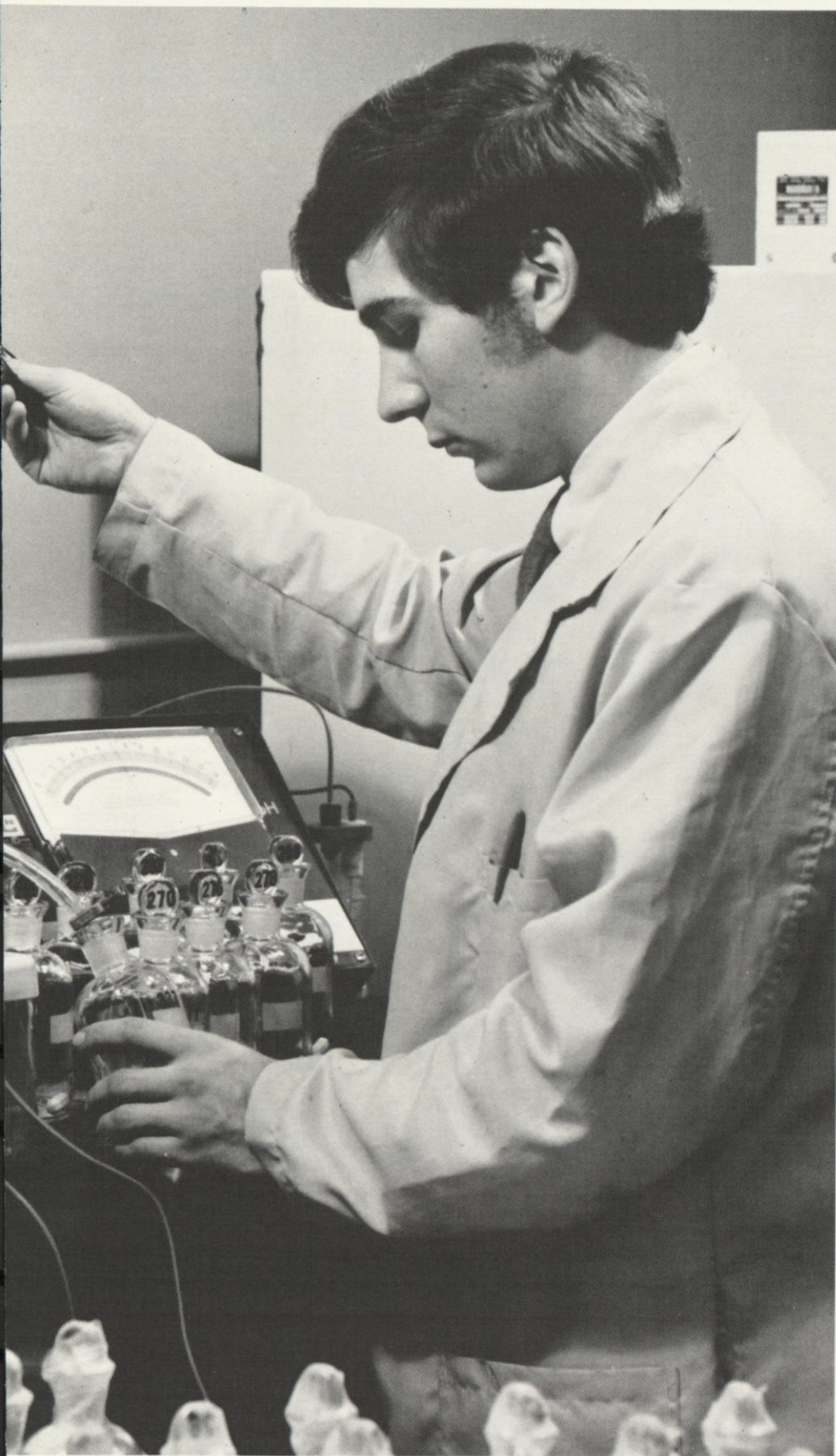
Also, to meet ever growing demands on our gas system, work has been started on two new natural gas receiving stations at Oreland and Parkesburg, and on the expansion of the central supervisory control and data logging system at our King of Prussia headquarters.

STEAM SERVICE

Steam output in 1970 increased 7 percent to 9.1 billion pounds. On February 2, 1971, a record demand of 2,669,000 pounds an hour was supplied.

The fourth oil-fired boiler at our Edison steam plant was





placed in service in response to growing demands for steam service in downtown Philadelphia.

Engineering was also begun for the installation of a new steam boiler at Schuylkill electric generating station for service in 1972. Operating economies will be realized by using some of the unit's steam output to generate electric power when diversity between the steam and electric system loads makes this feasible.

ENGINEERING AND RESEARCH

Our Company is participating in studies sponsored by the Edison Electric Institute relating to the use of plutonium-bearing fuel elements in conventional nuclear water reactors, such as those being installed at Peach Bottom and Salem. Those reactors will produce plutonium as a by-product of their normal operation. The ability to recycle plutonium in their own replacement fuel elements would make a market for plutonium and reduce future nuclear fuel costs.

Underground Transmission

Philadelphia Electric engineers are active in many phases of research in underground high-voltage transmission conducted by the Electric Research Council, coordinating agency representing all segments of the electric utility industry. This assures our Company of maximum benefits from the search for reliable low-cost materials and techniques.

At the Council's Waltz Mill testing station in western Pennsylvania, encouraging results are being obtained from accelerated aging tests of new designs for high-voltage underground cable.

determining the biological oxygen demand of water samples. This analysis is part of our surveillance program to assure the maintenance of water quality in the rivers of our service area.

Although not yet complete, the results of these tests to date emphasize the extreme susceptibility of such cables to the slightest imperfections and the need for rigid quality control in manufacture, which makes acceptable cable very costly.

Improved Service Continuity An infrared detection and temperature measuring instrument, developed by the medical profession to aid in diagnosing tumors and cancer, has been adapted by the electric utility industry as a tool for the detection of overheated connections in aerial electric facilities—always a potential source of trouble. Philadelphia Electric pioneered the use of this inspection device in 1967, and more than 4500 miles of overhead lines were surveyed in this way in 1970. Repairs, before failure, prevented possible interruptions in service to many thousands of customers.

Advanced systems for power generation are under continuing study, including magnetohydrodynamics (MHD), controlled thermonuclear reactions, and fuel cells. We are also participating in the preliminary design of a 50,000-kilowatt MHD generator and in fusion reaction studies sponsored by the Edison Electric Institute.

RECORD CONSTRUCTION CONTINUES

Construction expenditures for plant additions and improvements in 1970 amounted to \$352 million. The major projects in our expansion program are described under "New Generation" and "Nuclear Power" on pages 11 and 15.

Outlays for construction in the past five years totaled \$1057 million. Approximately \$2 billion will be spent on construction in the next five years, including expenditures of \$400 million planned in 1971.

Of the \$352 million spent in 1970, \$330 million was invested in the electric system, \$19 million in the gas system, and \$3 million in the steam system.

FINANCING PROGRAM

Philadelphia Electric conducted the most comprehensive financing program in its history during 1970. Five security issues were sold, totaling \$332 million.

FEBRUARY

Mortgage Bonds, 9% series
25-year maturity (8.87 percent
interest cost)\$80 million

MAY

Mortgage Bonds, 8½% series
6-year maturity (8.57 percent
interest cost)\$47 million

JULY

Preferred Stock, 8.75% series
650,000 shares (at par)\$65 million

OCTOBER

Common Stock, 3,193,511
shares sold through
subscription rights in the
ratio of one new share for
each ten shares held\$60 million

DECEMBER

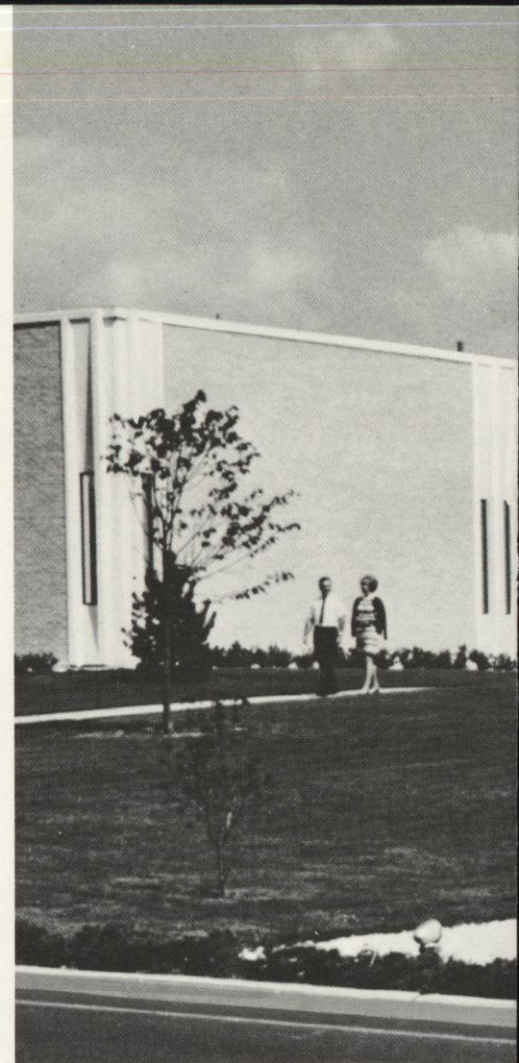
Mortgage Bonds, 7¾% series
30-year maturity (7.83 percent
interest cost)\$80 million

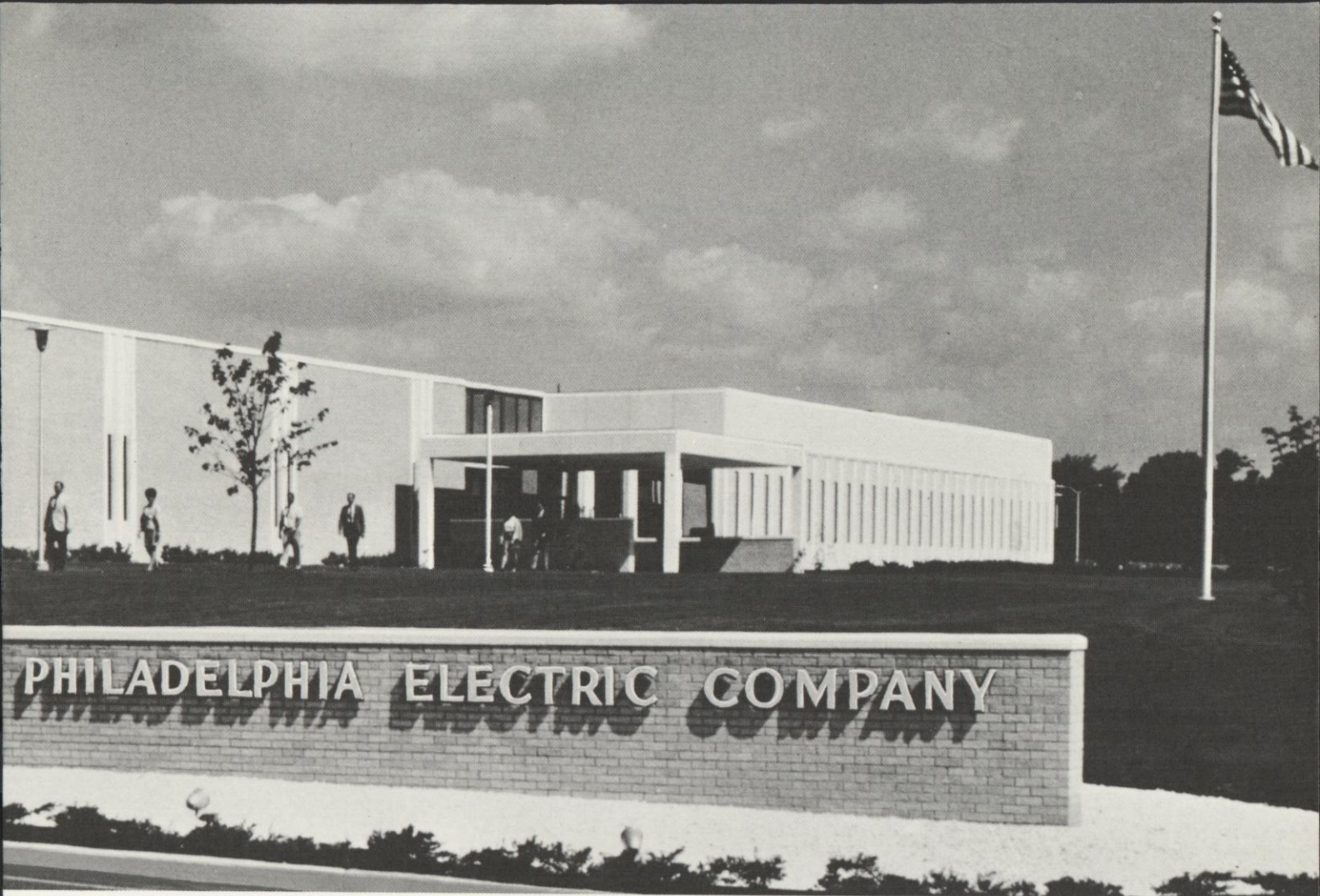
Depreciation and retained earnings supplied \$60 million of internally generated funds.

Innovation New and varying forms of imaginative financing are required to attract new investment funds and to broaden sources of supply. In 1970, we initiated the direct sale of mortgage bonds to shareholders by selling \$27

million of the 6-year, 8½% bond issue to 5700 Company shareholders in May. In addition, some 6000 shareholders took advantage of advance notification and purchased over 200,000 shares of the 8.75% Preferred Stock offered in July.

Sale of Common Stock The offering of 3,193,511 shares of common stock in October included a supplemental subscription privilege enabling a shareholder to subscribe for additional shares up to his basic entitlement. The issue was well received, as indicated by the 15-percent over-subscription, which required a proration of the shares offered under the supplemental privilege.





Warminster service building is the headquarters of the Company's fast-growing Eastern Division.

Each subscriber received approximately 25 percent of the shares subscribed through this privilege.

1971 Financing Present plans call for the sale of two bond issues, two preferred stock offerings, and additional shares of common stock in 1971 for a total of close to \$330 million.

As of December 31, 1970, a total of 135,000 shareholders owned 35,128,622 shares of common stock, and 15,000 shareholders held 1,885,720 shares of preferred stock.

NEW SERVICE BUILDINGS

A new central stores building was opened in November 1970 adjacent to our recently completed Berwyn transportation center. The new headquarters has 87,000 square feet of storage and office space and a paved outdoor storage area of approximately five acres.

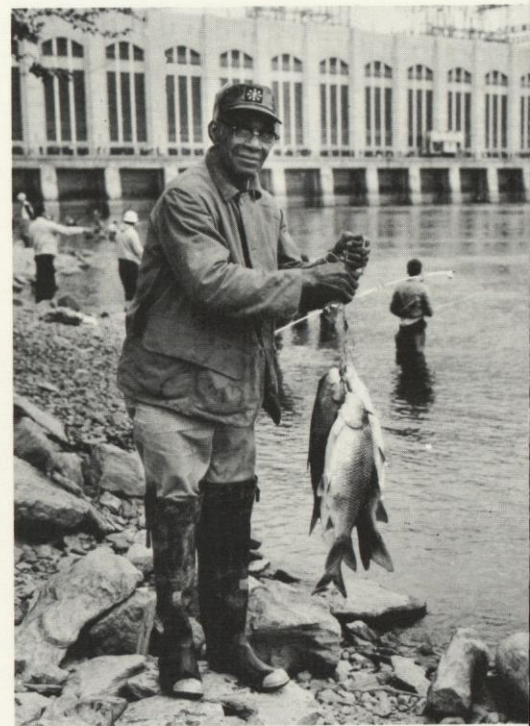
The central toolroom and aerial lines storeroom, previously located in our Philadelphia central service building, have been merged and now occupy the new building along with other service units. Modern material handling techniques, data-phone ordering systems, and high-speed telecommunications with local

storerooms and suppliers combine to make a highly efficient wholesale-type of operation capable of meeting quickly the vast material requirements of the Company's operating departments.

Work continues on our new general office headquarters at 2301 Market Street in Philadelphia, where the remodeling and expansion of our existing building will enable us to consolidate our operations, increase the efficiency of our work force, and effect economies in the conduct of our business. Occupancy of this new facility by 2500 employees now working at several center city locations is expected in mid-1972.



Muddy Run recreation park is a popular spot for family picnics.



Conowingo fisherman.

ENVIRONMENTAL IMPROVEMENT

In the planning, construction, and operation of its facilities, Philadelphia Electric has a well established policy of conserving and enhancing the quality of the environment. Our objective is to minimize the environmental impact of all new installations and to continue to improve the environmental compatibility of existing facilities to the limit of current technology.

Landscaping Under a landscaping program begun nearly twenty years ago, we have demonstrated that substations and service buildings can be harmonized with their surroundings. Through the years, our landscaping efforts have received national and local recognition.

On transmission rights of way, landscaping includes selective



Thomas Rowe, left, Philadelphia Electric personnel coordinator, with three members of a job-opportunity class in meter reading.

tree trimming and removal, as well as careful placement of towers and poles to preserve the character of the land they cross and to render the lines as pleasing in appearance and as unobtrusive as possible.

Community Use of Rights of Way

We have encouraged compatible use of transmission rights of way by neighboring property owners and community groups, with the



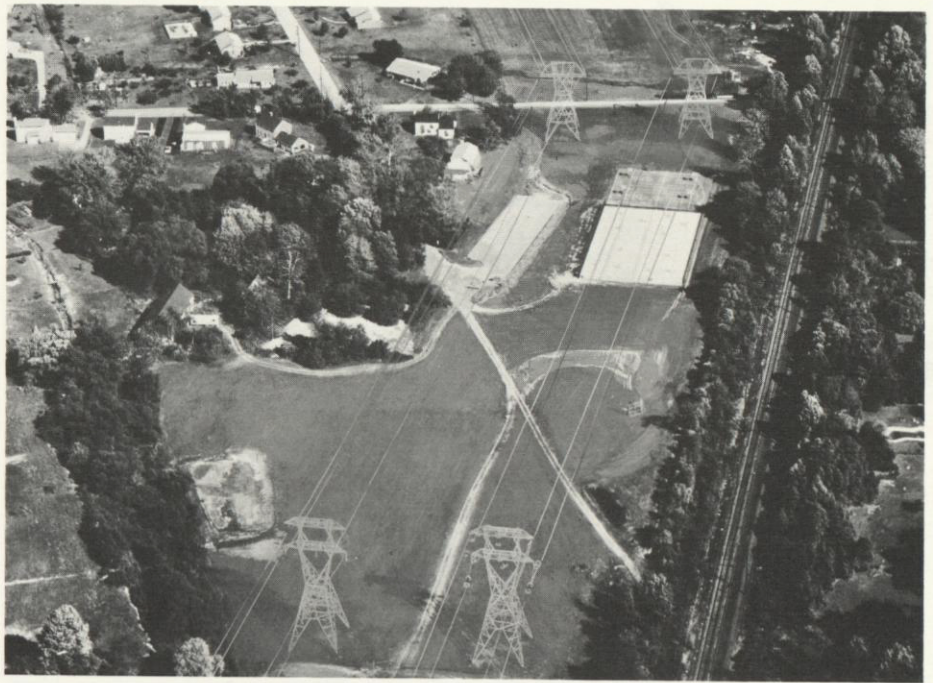
James L. Everett, executive vice president, discusses plans for the Limerick nuclear generating station with high school science students selected to represent Philadelphia Electric at the National Youth Conference on the Atom.

result that rights of way are presently being used for little league baseball fields, parks, hiking and riding trails, pasturage, farming, and commercial landscape nurseries. Other joint users are a golf course and a swim club.

Water Cooling Towers As a result of exhaustive ecological studies, water cooling towers are being installed at the new nuclear power station under construction on the Susquehanna River at Peach Bottom and will also be used at the Limerick nuclear plant to be built on the Schuylkill River near Pottstown. The use of these towers will assure that there will be no harmful effects on the aquatic environment.

POWER AND RECREATION

Nearly a quarter of a million people enjoyed the picnic, boating, fishing, and camping facilities at our Muddy Run recreation park in 1970, indicating the great benefits accruing to the public from our development of the lower Susquehanna River as a major source of power and open-to-the-public scenic attraction. The power and recreation facilities, which include Conowingo Dam, Peach Bottom,



A township park, near Berwyn, develops facilities for tennis, basketball, softball, and picnics on tower line right of way.

Muddy Run, and several boat launch facilities on the river, offer one of the finest educational-recreational experiences to be enjoyed anywhere.

ATOMIC INFORMATION PROGRAM

The Limerick atomic information center, a mobile trailer, pictured on the cover, has been well received by more than 60,000 visitors at shopping centers in Montgomery and Chester Counties where it has been displayed since May 1970. The trailer is equipped with attractive exhibits showing how electricity is produced, how nuclear fission can be safely controlled, and how the boiling water reactors and cooling towers of the Limerick nuclear plant will operate. Large, backlighted color photographs of existing Company installations illustrate how our facilities are

designed to protect and improve air, land, and water resources.

Our Peach Bottom atomic information center has attracted almost a half-million visitors since its opening in 1963. Increased recreational activity in the area, along with growing public interest in nuclear power, maintains the usefulness of this facility in our total information program.

"Atomic Energy—The Key to Your Future," our lecture-demonstration program for presentation in school auditoriums and classrooms, continues to be popular and serves to augment the effectiveness of the atomic information centers.

EMPLOYEES

High employment standards and progressive personnel policies have done much to create a working environment conducive to good performance and long service. Nearly half of our 10,000 employees have been with Philadelphia Electric 12 years or more, and one employee in every six is a member of the Quarter Century Club. More than 5500 employees are listed as Company shareholders.



City Solicitor of Philadelphia from January 1963 until April 1970. He is a member of the Pennsylvania Legislative Audit Advisory Commission, the Defender Association of Philadelphia, and the board of directors of the Philadelphia 1976 Bicentennial Corporation.

ORGANIZATIONAL CHANGES

On February 2, 1970, Charles K. Cox resigned as a director when INA Corporation, of which he is a director and officer, acquired Blyth & Co., an investment banking firm authorized to underwrite public utility securities. His resignation was accepted by the board with regret.

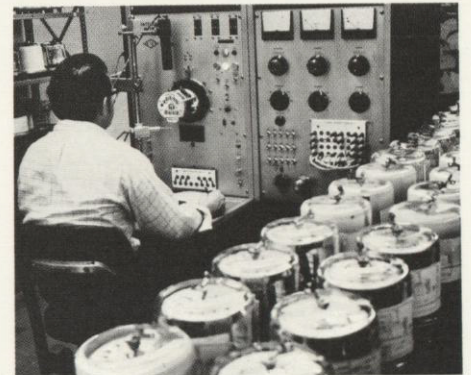
On September 28, the board also accepted with regret the resignation of G. Stockton Strawbridge, chairman of the board of Strawbridge & Clothier, who had served with distinction as a Philadelphia Electric director since January 1959.

Robert D. Harrison, president of John Wanamaker, Philadelphia, was elected a director on November 23 to fill the vacancy caused by the resignation of Mr. Strawbridge. Mr. Harrison joined the Wanamaker organization in 1949, was elected president in 1968, and became chief executive officer of the department store complex in 1969.

Vincent P. McDevitt, vice president and general counsel of the Company since 1949, was elected a senior vice president effective October 1. He continues to serve as a member of the board.



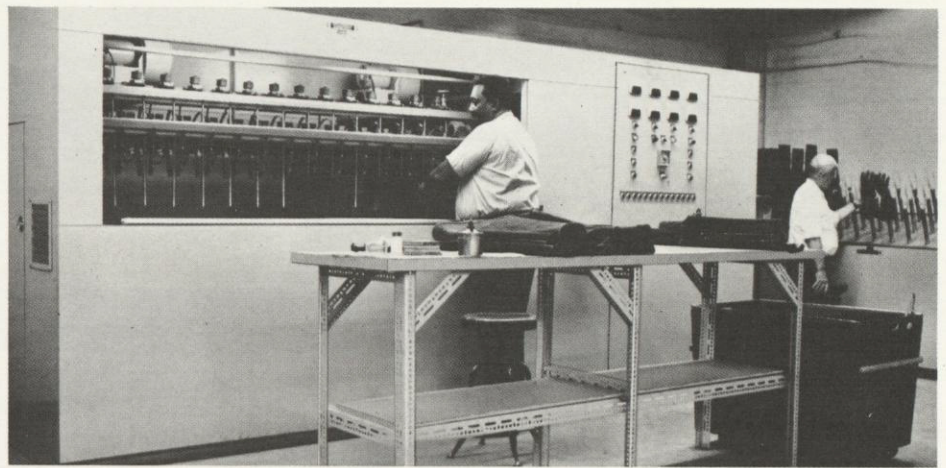
Effective the same date, Edward G. Bauer, Jr., was elected to succeed Mr. McDevitt as vice president and general counsel. Mr. Bauer graduated from Harvard Law School in 1957 and served as



On January 25, 1971, Allan G. Mitchell, vice president of finance and accounting since 1962, was elected a senior vice president by the board of directors and John H. Austin, Jr., comptroller of the Company, was elected vice president of finance and accounting.

Mr. Austin was employed by Philadelphia Electric as an engineering assistant following his graduation from Yale University in 1950. He was named assistant superintendent of overhead lines in Philadelphia in 1956 and electric superintendent of the Company's Schuylkill division in 1959. He joined the financial division of the finance and accounting department as assistant manager in 1964, became manager in 1966, and was appointed comptroller in 1967.

On October 26, 1970, Morton W. Rimerman was elected an assistant treasurer.



Philadelphia Electric Employees
combine a wide variety of skills
to serve more than 1,460,000 customers.



Philadelphia Electric Company and Subsidiary Companies

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the Year Ended December 31

1970

1969

(Thousands of Dollars)

Source of Funds

Net Income	\$ 68,376	\$ 64,297
Noncash Charges (Credits) to Income:		
Depreciation	53,947	49,304
Investment Tax Credit Adjustments—Net	(836)	(32)
Deferred Income Taxes	(818)	(818)
Total from Operations	120,669	112,751
Sale of:		
Long-Term Debt	206,700	80,000
Preferred Stock	65,000	40,000
Common Stock	59,878	66,773
Increase in Commercial Paper	12,288	13,690
Increase in Bank Loans	—	24,075
Total	<u>\$464,535</u>	<u>\$337,289</u>

Application of Funds

Additions to Utility Plant	\$351,554	\$263,698
Dividends on Common Stock	53,683	48,803
Dividends on Preferred Stock	8,612	5,931
Retirement of Long-Term Debt	7,745	13,970
Sinking Fund Payments on Long-Term Debt	2,395	3,201
Decrease in Bank Loans	35,550	—
Expenses in Connection with Issuance of		
Preferred and Common Stock	1,616	1,319
Other, net	3,380	367
Total	<u>\$464,535</u>	<u>\$337,289</u>

The notes and schedules to financial statements are an integral part of this statement.

Philadelphia Electric Company and Subsidiary Companies

CONSOLIDATED STATEMENT OF INCOME

For the Year Ended December 31

1970

1969

(Thousands of Dollars)

Operating Revenue		
Electric	\$412,496	\$355,292
Gas	80,960	75,150
Steam	10,915	10,052
Total Operating Revenue	504,371	440,494
Operating Expenses		
Operation	234,781	193,930
Maintenance	48,078	42,166
Total Operation and Maintenance	282,859	236,096
Depreciation	53,947	49,304
Provision for Taxes		
Federal Income Taxes	17,834	28,671
State and Local Income Taxes	5,330	7,664
Investment Tax Credit Adjustments—Net	(836)	(32)
Deferred Income Taxes	(818)	(818)
Taxes, Other than Income	38,410	18,295
Total Provision for Taxes	59,920	53,780
Total Operating Expenses	396,726	339,180
Operating Income	107,645	101,314
Other Income		
Allowance for Funds Used during Construction	18,513	7,929
Other Income and Deductions—Net	224	34
Total Other Income	18,737	7,963
Income Before Interest Charges	126,382	109,277
Interest Charges		
Interest on Long-Term Debt	50,336	38,161
Other Interest	7,670	6,819
Total Interest Charges	58,006	44,980
Net Income	68,376	64,297
Dividends on Preferred Stocks	8,612	5,931
Earnings Available for Common Stock	\$ 59,764	\$ 58,366
Shares of Common Stock—Average	32,556,315	29,644,373
Earnings Per Average Share (Dollars)	\$1.84	\$1.97

The notes and schedules to financial statements are an integral part of this statement.

Philadelphia Electric Company and Subsidiary Companies

CONSOLIDATED BALANCE SHEET

	December 31	
	1970	1969
Assets	(Thousands of Dollars)	
Utility Plant, at original cost		
Electric	\$2,179,514	\$1,882,462
Gas	218,238	203,578
Steam	38,723	36,346
Common, used in all services	85,131	66,183
	<u>2,521,606</u>	<u>2,188,569</u>
Less: Accumulated Depreciation	549,548	514,218
	<u>1,972,058</u>	<u>1,674,351</u>
Investments		
Nonutility Property	905	852
Employees' Pension Fund Assets, at cost—		
Subsidiary Companies	—	1,997
Other Investments, at cost	2,990	2,177
	<u>3,895</u>	<u>5,026</u>
Current Assets		
Cash	13,954	13,061
Special Deposits	5,782	3,938
Temporary Cash Investments	4,483	—
Accounts Receivable		
Utility Customers	31,904	30,597
Merchandising and Jobbing	12,597	11,765
Other	6,338	1,772
Materials and Supplies, at average cost		
Operating and Construction	21,353	20,648
Fuel	11,057	7,137
Merchandise for Sale	1,154	1,301
Prepayments	1,831	1,629
	<u>110,453</u>	<u>91,848</u>
Deferred Debits		
Unamortized Debt Discount and Expense	3,693	2,855
Other	1,816	2,060
	<u>5,509</u>	<u>4,915</u>
Total	<u>\$2,091,915</u>	<u>\$1,776,140</u>

The notes and schedules to financial statements are an integral part of this statement.

Liabilities	December 31	
	1970	1969
	(Thousands of Dollars)	
Capitalization		
Stockholders' Equity		
Preferred Stock—See Schedule, page 29	\$ 188,572	\$ 127,472
Preferred Stock Subscribed	3,900	—
Premium on Preferred Stock	1,214	1,214
Common Stock—See Schedule, page 29	424,920	365,042
Retained Earnings	239,468	235,448
	<u>858,074</u>	<u>729,176</u>
Long-Term Debt—See Schedule, page 29	1,019,803	848,697
	<u>1,877,877</u>	<u>1,577,873</u>
Current Liabilities		
Debt Obligations Due within One Year		
Bank Loans } Pending Permanent Financing	14,625	50,175
Commercial Paper }	60,889	48,601
Bond Maturities	33,924	8,470
Accounts Payable	32,895	25,304
Customers' Deposits	1,148	1,223
Taxes Accrued		
Federal Income	3,450	734
Other	5,973	7,590
Interest Accrued	14,829	10,903
Dividends Declared	5,814	5,274
Tax Collections Payable	3,945	3,466
Other	2,454	701
	<u>179,946</u>	<u>162,441</u>
Deferred Credits		
Accumulated Deferred Income Taxes	13,075	13,892
Accumulated Deferred Investment Tax Credits . .	5,825	6,660
Unamortized Premium on Debt	1,107	225
Other	645	652
	<u>20,652</u>	<u>21,429</u>
Operating Reserves		
Employees' Pension—Subsidiary Companies . .	—	1,997
Other	1,754	976
	<u>1,754</u>	<u>2,973</u>
Contributions in Aid of Construction	11,686	11,424
Total	<u>\$2,091,915</u>	<u>\$1,776,140</u>

Philadelphia Electric Company and Subsidiary Companies

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

	For the Year Ended December 31	
	1970	1969
	(Thousands of Dollars)	
Balance, January 1	\$235,448	\$227,437
Add—Net Income (from page 25)	68,376	64,297
	<u>303,824</u>	<u>291,734</u>
Deduct		
Cash Dividends Declared		
\$4.30* per share on 8.75% Preferred Stock ..	2,561	—
\$7.00 and \$6.67* per share, respectively, on		
7% Preferred Stock	2,800	2,468
\$4.68 per share on 4.68% Preferred Stock ...	702	702
\$4.40 per share on 4.4% Preferred Stock	1,209	1,209
\$4.30 per share on 4.3% Preferred Stock	645	645
\$3.80 per share on 3.8% Preferred Stock	1,140	1,140
\$1.64 per share on Common Stock	53,683	48,803
	<u>62,740</u>	<u>54,967</u>
Capital Stock Expenses of New Issues		
Common Stock	698	753
Preferred Stock	918	566
	<u>64,356</u>	<u>56,286</u>
Balance, December 31	<u>\$239,468</u>	<u>\$235,448</u>

*Partial-year dividends on 8.75% stock sold in 1970, and on 7% stock sold in 1969.
The notes and schedules to financial statements are an integral part of this statement.

Lybrand, Ross Bros. & Montgomery/Certified Public Accountants

To the Board of Directors,
Philadelphia Electric Company,
Philadelphia, Pennsylvania

We have examined the consolidated balance sheet of Philadelphia Electric Company and Subsidiary Companies as of December 31, 1970, the related statements of income and retained earnings and the consolidated statement of source and application of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We previously examined and reported upon the consolidated financial statements of the companies for the year 1969.

In our opinion, the aforementioned consolidated financial statements present fairly the financial position of Philadelphia Electric Company and Subsidiary Companies at December 31, 1970 and 1969, and the results of their operations and the source and application of funds for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Philadelphia, Pennsylvania,
February 5, 1971.

LYBRAND, ROSS BROS. & MONTGOMERY

Philadelphia Electric Company and Subsidiary Companies

Schedule of Capital Stock

December 31, 1970

PHILADELPHIA ELECTRIC COMPANY

PHILADELPHIA ELECTRIC COMPANY	Number of Shares		Amount
	Authorized	Outstanding	
			(Thousands of Dollars)
Preferred Stock (\$100 par) cumulative			
8.75% Series*	650,000	611,000	\$ 61,100
7% Series**	400,000	400,000	40,000
4.68% Series	150,000	150,000	15,000
4.4% Series	274,720	274,720	27,472
4.3% Series	150,000	150,000	15,000
3.8% Series	300,000	300,000	30,000
Unclassified	575,280	—	—
Premium on Preferred Stock	—	—	1,214
Preferred Stock Subscribed*	—	39,000	3,900
Total Preferred Stock	<u>2,500,000</u>	<u>1,924,720</u>	<u>193,686</u>
Common Stock—no par***	<u>40,000,000</u>	<u>35,128,622</u>	<u>424,920</u>
Total Capital Stock			\$618,606

*Sold August 4, 1970, at \$100 per share.

**Sold February 5, 1969, at \$100 per share.

***Includes 2,903,192 shares sold October 16, 1969, at \$23 per share, and 3,193,511 shares sold October 22, 1970, at \$18.75 per share.

Schedule of Long-Term Debt

December 31, 1970

PHILADELPHIA ELECTRIC COMPANY

PHILADELPHIA ELECTRIC COMPANY	LONG-TERM	DUE WITHIN ONE YEAR
		Shown Under Current Liabilities
(Thousands of Dollars)		
First and Refunding Mortgage Bonds		
2¾ % Series due 1971	—	\$20,000
6% Series due 1971-73	\$ 19,000	8,430
5¼ % Series due 1971-73	1,240	650
6¼ % Series due 1971-76	27,200	4,300
2¼ % Series due 1974	65,000	—
8% Series due 1975	80,000	—
8½ % Series due 1976	46,700	—
5¾ % Series due 1977	34,000	—
2⅞ % Series due 1978	25,000	—
2¾ % Series due 1981	30,000	—
3¼ % Series due 1982	35,000	—
3⅛ % Series due 1983	20,000	—
3⅛ % Series due 1985	50,000	—
4¾ % Series due 1986	50,000	—
4⅝ % Series due 1987	40,000	—
3¾ % Series due 1988	40,000	—
5% Series due 1989	50,000	—
6½ % Series due 1993	60,000	—
4½ % Series due 1994	50,000	—
9% Series due 1995	80,000	—
6½ % Series due 1997	75,000	—
7¾ % Series due 2000	80,000	—
	958,140	33,380
Sinking Fund Debentures		
4.85% Series due 1986	31,989	—
Total Philadelphia Electric Company	990,129	33,380

**PHILADELPHIA ELECTRIC POWER COMPANY—
A WHOLLY OWNED SUBSIDIARY**

First Mortgage Bonds, 2⅝ % Series due 1975	4,674	544*
Sinking Fund Debentures, 4½ % due 1995	25,000	—
Total Long-Term Debt	<u>\$1,019,803</u>	<u>\$33,924</u>

*Sinking fund payments due in excess of bonds reacquired.

Notes to Financial Statements—Thousands of Dollars

1. UTILITY PLANT Utility plant construction expenditures for the year 1971 are estimated at \$400,000.

2. DEPRECIATION For financial reporting purposes, the Company provides for depreciation over the estimated service lives of the property on a straight-line basis. Higher depreciation deductions are taken for tax purposes based on the use of a liberalized method of computing depreciation and of shorter lives permitted by the Internal Revenue Service "Depreciation Guidelines." Income tax reductions, reflecting this higher depreciation, reduce current operating expenses in accordance with the regulatory commission treatment for rate-making purposes.

3. NORMALIZATION OF TAX REDUCTIONS BEGINNING JANUARY 1, 1971

In June 1970, the Company elected to normalize the effect of tax reductions resulting from the continued use of double declining balance tax depreciation on property additions after December 31, 1969, which increase system capacity. This election was in accordance with the 1969 Tax Reform Act (Section 167), Federal Power Commission Order No. 404 dated May 15, 1970, and the policy adopted by the Pennsylvania Public Utility Commission on June 24, 1970. The adoption of this accounting change for 1971 and subsequent years will gradually reduce the tax reductions that now flow through to income and will increase normalization charges to income (with corresponding increases in revenue requirements) as new plant is added to the system.

4. PROVISION FOR TAXES Federal income tax returns have been examined and settled through 1962. Tax returns for 1963 and 1964 have been examined but settlement is pending. The Internal Revenue Service has made certain adjustments, including additional depreciation deductions in those years resulting from the retroactive application of guideline lives. These additional depreciation deductions are partly offset by other adjustments which reduce the amount of the deductions. While the adjustments are expected to result in a net refund to the Company, no amounts have been recorded because the proposed adjustments are subject to review and change by the Joint Congressional Committee of Internal Revenue. Any eventual refund would not have a material effect upon the Company's financial position.

5. INVESTMENT TAX CREDIT Federal income tax expense reflects reductions of \$2,184 for 1970, and \$2,837 for 1969, representing the investment tax credit arising from the investment in new plant placed in service during these years. Such tax savings are spread by making charges to income equivalent to the tax reductions and accumulating such amounts in a deferred account, which is subsequently amortized by credits to

income over a five-year period. The investment tax credit has been repealed by Congress, effective April 18, 1969. However, the costs of any orders for new plant placed prior to that date are still entitled to this credit.

6. ACCUMULATED DEFERRED INCOME TAXES This represents the balance of income taxes deferred on property subject to five-year amortization pursuant to certificates of necessity, which is being credited to income over the remaining life of the related property at the rate of \$818 per year.

7. PENSION PLAN The Companies have a noncontributory service annuity plan applicable to all regular employees. The annuities are determined under a formula which is applied uniformly to all employees regardless of position, and the amount depends on length of service and compensation earned prior to normal retirement age. The annuities are paid out of an irrevocable trust fund, to which the Companies make annual contributions sufficient to meet actuarial requirements. Actuarial studies, which take market appreciation of securities into consideration, indicate that the requirement for past service cost is fully funded. Contributions by the Companies for future annuities aggregated \$6,426 for 1970 and \$5,965 for 1969, of which approximately 26 percent in 1970 and 31 percent in 1969, associated with construction labor, was included in the cost of new utility plant. In December 1970, pension fund assets for subsidiary companies' employees were transferred to the trustee for the plan and the related actuarial liabilities were assumed by the plan.

8. INCREASED RATES In November 1970, the Company filed new tariffs with the Pennsylvania Public Utility Commission which were designed to increase electric revenues by approximately \$100,000 per year and steam revenues by \$1,100 per year. The Commission allowed the increased steam tariff to become effective on January 18, 1971, but suspended the new electric rates for up to six months pending hearings to determine their reasonableness.

The suspension has been lifted by the Commission for approximately \$43,000 of the electric rate increases for service rendered on and after February 18, 1971. The hearings will nonetheless continue as to the overall increase requested, and, at the conclusion thereof, the Commission may order refunds of any sums collected over and above the rates ultimately found to be reasonable.

9. PREFERRED STOCK DIVIDENDS The annual dividend requirements giving effect to the sale of preferred stock in 1970 and 1969 were \$12,183 and \$6,496, respectively.

Fiscal Agents for Stocks and Bonds

PHILADELPHIA ELECTRIC COMPANY—Preferred and Common Stocks

Registrars	Transfer Agents
GIRARD BANK	PHILADELPHIA ELECTRIC COMPANY
Broad & Chestnut Streets, Philadelphia, Pa. 19101	1000 Chestnut Street, Philadelphia, Pa. 19105
CHEMICAL BANK	MORGAN GUARANTY TRUST CO. of N.Y.
20 Pine Street, New York, N.Y. 10015	30 West Broadway, New York, N.Y. 10015

PHILADELPHIA ELECTRIC COMPANY—First and Refunding Mortgage Bonds

PHILADELPHIA ELECTRIC POWER COMPANY (A Subsidiary)—First Mortgage Bonds

Trustee	New York Agent
THE FIDELITY BANK	MORGAN GUARANTY TRUST CO. of N.Y.
Broad & Walnut Streets, Philadelphia, Pa. 19109	23 Wall Street, New York, N.Y. 10015

PHILADELPHIA ELECTRIC COMPANY—Sinking Fund Debentures

PHILADELPHIA ELECTRIC POWER COMPANY (A Subsidiary)—Sinking Fund Debentures

Trustee	New York Agent
THE PHILADELPHIA NATIONAL BANK	IRVING TRUST COMPANY
Broad & Chestnut Streets, Philadelphia, Pa. 19101	One Wall Street, New York, N.Y. 10015

All Philadelphia Electric Company securities, except the Sinking Fund Debentures and those series of First and Refunding Mortgage Bonds which were sold privately to institutional investors, are listed on the Philadelphia-Baltimore-Washington Stock Exchange and the New York Stock Exchange. Philadelphia Electric Power Company Bonds and Debentures are listed on the Philadelphia-Baltimore-Washington Stock Exchange.

Financial Statistics

Summary of earnings (millions of dollars)

	1970	1969	1968	1967	1966	1965	1960
Operating Revenue (for details see page 32)	\$504.4	\$440.5	\$405.2	\$376.5	\$357.9	\$340.9	\$276.0
Operating Expenses							
Labor	103.0	93.9	86.3	81.4	76.1	73.3	57.4
Fuel and Energy Interchanged	137.3	110.0	102.4	86.7	86.3	77.1	61.3
Other Materials, Supplies, and Services	42.6	32.2	29.3	27.6	25.0	27.1	22.0
Total Operation and Maintenance	282.9	236.1	218.0	195.7	187.4	177.5	140.7
Depreciation	53.9	49.3	45.4	41.8	39.0	38.1	34.9
Taxes, including Provision for Deferred Taxes	59.9	53.8	49.6	51.5	50.0	47.7	43.9
Total Operating Expenses	396.7	339.2	313.0	289.0	276.4	263.3	219.5
Operating Income	107.7	101.3	92.2	87.5	81.5	77.6	56.5
Other Income							
Allowance for Funds Used During Construction	18.5	7.9	4.1	4.8	3.9	1.5	3.9
Other Income and Deductions—Net	0.2	0.1	—	0.3	—	0.2	—
Total Other Income	18.7	8.0	4.1	5.1	3.9	1.7	3.9
Income Before Interest Charges	126.4	109.3	96.3	92.6	85.4	79.3	60.4
Interest Charges							
Long-Term Debt	50.3	38.2	33.6	26.8	23.0	22.4	17.7
Other Interest	7.7	6.8	2.6	2.6	1.5	0.4	0.5
Total Interest Charges	58.0	45.0	36.2	29.4	24.5	22.8	18.2
Income Before Extraordinary Item	68.4	64.3	60.1	63.2	60.9	56.5	42.2
Extraordinary Item	—	—	5.5	—	—	—	—
Net Income	68.4	64.3	65.6	63.2	60.9	56.5	42.2
Dividends on Preferred Stock	8.6	5.9	3.7	3.7	3.7	3.7	3.9
Earnings for Common Stock	59.8	58.4	61.9	59.5	57.2	52.8	38.3
Dividends on Common Stock	53.7	48.8	47.6	44.8	40.7	39.6	30.1
Retained Earnings	\$6.1	\$9.6	\$14.3	\$14.7	\$16.5	\$13.2	\$8.2
Earnings per Average Share (dollars)							
Before Extraordinary Item	\$1.84	\$1.97	\$1.94	\$2.13	\$2.08	\$1.92	\$1.41*
Extraordinary Item	—	—	.19	—	—	—	—
After Extraordinary Item	\$1.84	\$1.97	\$2.13	\$2.13	\$2.08	\$1.92	\$1.41*
Dividends Paid per Share (dollars)	\$1.64	\$1.64	\$1.64	\$1.60	\$1.48	\$1.44	\$1.12*

Summary of financial condition—December 31 (millions of dollars)

Assets and Other Debits	Utility Plant, at Original Cost	\$2,521.6	\$2,188.6	\$1,951.2	\$1,791.5	\$1,657.7	\$1,553.4	\$1,289.8
	Less: Depreciation	549.5	514.2	491.4	459.8	429.0	402.5	287.7
	Total Utility Plant	1,972.1	1,674.4	1,459.8	1,331.7	1,228.7	1,150.9	1,002.1
	Other Property and Investments	3.9	5.0	4.0	6.3	8.1	9.7	2.4
	Current and Accrued Assets							
	Cash	13.9	13.0	11.4	11.4	9.4	10.8	16.6
	Accounts Receivable	50.8	44.1	41.3	47.0	34.2	31.8	23.0
	Materials and Supplies	33.6	29.1	26.0	23.8	22.4	21.4	21.3
	Temporary Cash Investments	4.5	—	0.2	1.5	1.3	1.7	—
	Other	7.6	5.6	5.7	5.3	4.2	5.2	5.3
	Deferred Debits	5.5	4.9	5.2	4.1	5.3	4.9	4.0
	Total Assets and Other Debits	\$2,091.9	\$1,776.1	\$1,553.6	\$1,431.1	\$1,313.6	\$1,236.4	\$1,074.7
Liabilities and Other Credits	Preferred Stock	\$188.6	\$ 127.5	\$ 87.5	\$ 87.5	\$ 87.5	\$ 87.5	\$ 87.5
	Preferred Stock Subscribed	3.9	—	—	—	—	—	—
	Premium on Preferred Stock	1.2	1.2	1.2	1.2	1.2	1.2	1.2
	Common Stock	424.9	365.0	298.3	298.3	260.3	256.3	248.2
	Retained Earnings	239.5	235.4	227.4	213.1	199.0	182.5	123.3
	Total Stockholders' Equity	858.1	729.1	614.4	600.1	548.0	527.5	460.2
	Long-Term Debt	1,019.8	848.7	778.7	692.0	651.3	612.9	509.2
	Current and Accrued Liabilities							
	Bank Loans	14.6	50.1	26.1	47.7	32.3	10.5	24.0
	Other Short-Term Debt	94.8	57.1	50.5	9.6	1.5	1.0	1.4
	Taxes Accrued	9.4	8.4	7.2	6.8	13.7	19.0	22.6
	Other Charges	61.1	46.9	39.6	32.9	29.4	28.5	25.0
	Deferred Credits	20.6	21.4	23.1	28.0	23.8	23.6	22.2
	Operating Reserves	1.8	3.0	2.9	3.1	3.0	3.2	2.2
	Contributions in Aid of Construction	11.7	11.4	11.1	10.9	10.6	10.2	7.9
	Total Liabilities and Other Credits	\$2,091.9	\$1,776.1	\$1,553.6	\$1,431.1	\$1,313.6	\$1,236.4	\$1,074.7

*Restated to reflect two-for-one stock split in 1961.

Operating Statistics

		1970	1969	1968	1967	1966	1965	1960
Electric Operations	Output (millions of kilowatt-hours)							
	Steam	19,446	20,020	17,865	17,087	16,007	15,133	12,196
	Nuclear	137	130	124	144	—	—	—
	Hydraulic	1,877	1,342	1,586	1,895	1,304	1,117	1,327
	Pumped-Storage Output	1,829	1,733	1,429	400	—	—	—
	Pumped-Storage Input	(2,523)	(2,395)	(1,971)	(555)	—	—	—
	Purchased and Net Interchange	2,886	2,293	2,917	1,090	2,000	1,606	98
	Internal Combustion	744	341	126	53	19	6	2
	Other	45	5	33	56	—	—	—
	Total Electric Output	24,441	23,469	22,109	20,170	19,330	17,862	13,623
	Sales (millions of kilowatt-hours)							
	Residential	6,381	5,812	5,330	4,763	4,457	4,168	3,057
	Small Commercial and Industrial	2,365	2,293	2,256	2,125	2,087	2,003	1,684
	Large Commercial and Industrial	12,970	12,663	11,961	10,724	10,267	9,470	6,882
	All Other	1,097	1,105	1,075	1,091	1,113	1,097	1,043
	Total Electric Sales	22,813	21,873	20,622	18,703	17,924	16,738	12,666
	Number of Customers, Dec. 31							
	Residential*	1,070,312	1,060,376	1,034,393	1,021,216	1,006,613	986,304	913,203
	Small Commercial and Industrial*	120,034	120,997	136,917	138,898	141,752	148,760	154,184
	Large Commercial and Industrial	5,465	5,359	5,204	4,993	4,827	4,630	3,755
	All Other	2,101	2,045	2,009	2,021	1,926	1,909	1,833
	Total Electric Customers	1,197,912	1,188,777	1,178,523	1,167,128	1,155,118	1,141,603	1,072,975
Gas Operations	Operating Revenue (millions of dollars)							
	Residential	\$161.7	\$135.0	\$121.3	\$110.7	\$104.6	\$ 99.1	\$ 77.9
	Small Commercial and Industrial	66.3	58.9	56.5	54.0	53.0	51.7	46.4
	Large Commercial and Industrial	158.4	138.2	126.2	115.5	110.0	103.5	82.2
	All Other	26.1	23.2	21.9	20.7	20.3	19.8	17.9
	Total Electric Revenue	\$412.5	\$355.3	\$325.9	\$300.9	\$287.9	\$274.1	\$224.4
	Residential Sales							
	Average Use per Customer (kilowatt-hours)	5,990	5,557	5,187	4,699	4,477	4,263	3,373
	Average Revenue per Kilowatt-hour	2.54¢	2.32¢	2.28¢	2.33¢	2.35¢	2.38¢	2.55¢
	Electric Peak Load							
	Net Hourly Demand (thousand kw.)	4,712	4,592	4,375	3,727	3,673	3,366	2,511
	Net Electric Generating Capacity (thous. kw.)	5,564	5,115	5,111	4,678	3,663	3,663	3,292
	Average Cost of Fuel per Ton	\$10.62	\$8.52	\$8.60	\$8.51	\$8.21	\$8.06	\$9.56
	Btu per Net Kilowatt-hour Generated	11,079	11,009	10,867	10,689	10,648	10,397	10,575
	Sales (millions of cubic feet—natural gas)							
	Residential	2,454	2,376	2,341	2,309	2,231	2,233	2,192
Steam Operations	House Heating	24,949	23,403	22,447	22,197	20,343	19,642	15,851
	Commercial and Industrial	17,460	16,124	14,561	13,006	11,018	9,446	6,269
	All Other	2,074	2,043	1,233	1,155	810	516	55
	Subtotal from Distribution System	46,937	43,946	40,582	38,667	34,402	31,837	24,367
	Direct from Pipelines	20,950	23,685	20,989	18,962	20,294	20,453	10,484
	Total Gas Sales	67,887	67,631	61,571	57,629	54,696	52,290	34,851
	Number of Customers, Dec. 31							
	Residential**	97,250	98,598	97,971	98,991	100,264	101,238	107,789
	House Heating**	149,800	145,879	140,792	136,371	131,858	128,345	107,442
	Commercial and Industrial**	19,063	18,491	21,078	20,566	20,056	19,641	14,618
	Total Gas Customers	266,113	262,968	259,841	255,928	252,178	249,224	229,849
	Operating Revenue (millions of dollars)							
	Residential	\$ 6.0	\$ 5.7	\$ 5.7	\$ 5.6	\$ 5.5	\$ 5.5	\$ 5.6
	House Heating	43.1	39.6	38.0	37.6	34.6	33.4	27.2
	Commercial and Industrial	21.1	18.7	17.0	15.3	13.0	11.2	7.4
	All Other	1.2	1.1	0.6	0.6	0.4	0.3	0.1
	Subtotal from Distribution System	71.4	65.1	61.3	59.1	53.5	50.4	40.3
	Direct from Pipelines	9.2	9.7	8.6	7.6	8.1	8.3	4.2
	Other Revenue	.4	0.3	0.3	0.3	0.3	0.3	0.4
	Total Gas Revenue	\$81.0	\$75.1	\$70.2	\$67.0	\$61.9	\$59.0	\$44.9
	Sales (millions of pounds)	8,172	7,905	7,578	7,252	6,674	6,528	5,323
	Number of Customers, Dec. 31***	939	1,179	1,180	1,157	1,154	1,139	1,069
	Total Steam Revenue (millions of dollars)	\$10.9	\$10.1	\$9.1	\$8.6	\$8.1	\$7.8	\$6.6

*Reflects reclassification of customers from small commercial and industrial to residential (14,442 in 1969, and 6,172 in 1966).

**Reflects reclassification of 2,976 customers from commercial and industrial to residential and house heating in 1969.

***The reduction in customers in 1970 reflects the phasing out of steam heating service (less than \$300,000 annual revenue) in the Borough of West Chester, Pa., which will be closed down by October 15, 1971.



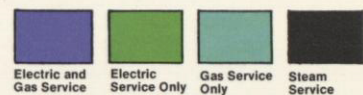
AREA SERVED BY PHILADELPHIA ELECTRIC COMPANY SYSTEM

Covering 2400 square miles with a population of 3,900,000

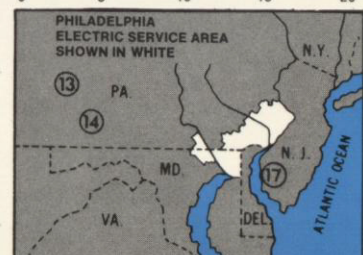
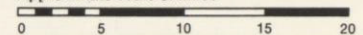
ELECTRIC GENERATING STATIONS

IN SERVICE		AUTHORIZED ADDITIONS	
Net Installed Capacity (Kilowatts)		Jointly Owned (P.E. Portion)	
① Chester	336,200	⑬ Peach Bottom (Nuclear)	905,000
② Eddystone	765,400	⑭ Conemaugh (Mine-Mouth)	170,000
③ Southwark	461,800	⑮ Salem (Nuclear)	954,900
④ Schuylkill	337,300	P.E. Owned	
⑤ Delaware	445,000	② Eddystone	800,000
⑥ Richmond	526,700	⑯ Limerick (Nuclear)	2,110,000
⑦ Cromby	368,700	Gas Turbines	646,300
⑧ Barbadoes	229,700	Total Authorized Additions	
⑨ Plymouth Meeting Substation	6,000	5,586,200	
⑩ Conowingo (Hydro)	512,000	GAS PLANTS	
⑪ Muddy Run (Pumped-Storage)	880,000	⑰ West Conshohocken	
⑫ Peach Bottom (Nuclear)	40,000	⑲ Chester	
⑬ Keystone (P.E. Portion)	346,300		
⑭ Conemaugh (P.E. Portion)	172,300		
⑮ Moser Substation	68,100		
⑯ Falls Substation	68,100		
Total in Service	5,563,600		

LEGEND



Approximate scale of miles



PHILADELPHIA ELECTRIC COMPANY

Floodlighting makes Philadelphia's
City Hall a nighttime landmark.

